

1 11:00:06 MR. FLUMENBAUM: Objection as to form.

2 11:00:09 THE WITNESS: I have no recollection of

3 11:00:10 that.

4 11:00:13 BY MR. SYLVESTER:

5 11:00:13 Q. Okay.

6 11:00:13 Do you have a general familiarity with

7 11:00:20 equity trading plans a CEO might have in a public

8 11:00:24 company?

9 11:00:25 MR. FLUMENBAUM: Objection as to form.

10 11:00:27 THE WITNESS: Could be more specific?

11 11:00:28 BY MR. SYLVESTER:

12 11:00:28 Q. Sure.

13 11:00:29 The CEO of a public company from time to

14 11:00:31 time has a trading plan as to that company's

15 11:00:34 securities?

16 11:00:37 A. Yes, I'm aware of that.

17 11:00:38 Q. Okay. Have you ever set up a trading plan

18 11:00:40 for your XRP?

19 11:00:42 MR. FLUMENBAUM: Objection as to form.

20 11:00:45 You may answer.

21 11:00:45 THE WITNESS: No.

22 11:00:46 BY MR. SYLVESTER:

23 11:00:46 Q. Have you ever considered setting up a

24 11:00:49 trading plan for your XRP?

25 11:00:52 MR. FLUMENBAUM: Objection as to form.

1 11:00:52 THE WITNESS: Could you be more specific?
2 11:00:53 BY MR. SYLVESTER:
3 11:00:53 Q. Have you thought about the proposal to set
4 11:00:59 up a trading plan and decided not to?
5 11:01:02 MR. FLUMENBAUM: Objection as to form.
6 11:01:08 THE WITNESS: As we talked about
7 11:01:09 previously, we have a programmatic selling
8 11:01:12 arrangement with GSR.
9 11:01:13 BY MR. SYLVESTER:
10 11:01:13 Q. I see.
11 11:01:17 Have you ever discussed with anyone at
12 11:01:18 Ripple any restrictions on your selling of XRP in
13 11:01:24 connection with any information you may acquire as a
14 11:01:28 result of your role at Ripple?
15 11:01:34 MR. FLUMENBAUM: Objection as to form.
16 11:01:36 THE WITNESS: What we have talked about as
17 11:01:38 being constructive, not having an impact on the
18 11:01:41 market.
19 11:01:50 BY MR. SYLVESTER:
20 11:01:50 Q. Okay. But you have not discussed with
21 11:01:52 anyone at Ripple restricting your trading on the
22 11:01:56 basis of any confidential information that Ripple
23 11:02:02 might have prior to its public disclosure?
24 11:02:04 MR. FLUMENBAUM: Objection as to form.
25 11:02:07 THE WITNESS: Are you talking about Ripple

1 11:02:08 stock?

2 11:02:09 BY MR. SYLVESTER:

3 11:02:09 Q. No. I mean trading in XRP?

4 11:02:12 MR. FLUMENBAUM: Objection as to form.

5 11:02:16 THE WITNESS: XRP has nothing to do with

6 11:02:20 Ripple, the company. If it comes to Ripple's stock,

7 11:02:25 we've -- we follow standard Silicon Valley best

8 11:02:30 practices.

9 11:02:30 BY MR. SYLVESTER:

10 11:02:30 Q. Sure.

11 11:02:32 Has Ripple ever had an employee policy

12 11:02:36 that prohibited employees from selling XRP during

13 11:02:42 periods where those employees had information that

14 11:02:49 might impact the price of XRP upon public

15 11:02:54 disclosure?

16 11:02:55 MR. FLUMENBAUM: Objection as to form.

17 11:02:58 THE WITNESS: I think the way you describe

18 11:03:00 that is not -- not accurate.

19 11:03:04 We have had and do have policies in place

20 11:03:08 to make sure that our employees are following best

21 11:03:13 practices.

22 11:03:14 That's important to maintain fairness

23 11:03:17 between employees, for one thing.

24 11:03:19 BY MR. SYLVESTER:

25 11:03:19 Q. What do those best practices entail when

1 11:03:22 it comes to employees selling their XRP?

2 11:03:26 MR. FLUMENBAUM: Objection as to form.

3 11:03:29 THE WITNESS: They have to let the company

4 11:03:30 know if they have -- or if they intend to sell a

5 11:03:33 certain amount -- certain amounts.

6 11:03:39 BY MR. SYLVESTER:

7 11:03:39 Q. Has Ripple ever had -- strike that.

8 11:03:43 Has Ripple ever had a policy prohibiting

9 11:03:46 employees from selling XRP when those employees were

10 11:03:50 in possession of material nonpublic information?

11 11:03:54 MR. FLUMENBAUM: Objection as to form.

12 11:03:58 THE WITNESS: I don't know what all the

13 11:04:02 details are, but we do believe that's a best

14 11:04:07 practices, and we do have a program in place.

15 11:04:11 BY MR. SYLVESTER:

16 11:04:11 Q. Have you ever restricted your sales of XRP

17 11:04:21 to persons who had a use for XRP?

18 11:04:24 MR. FLUMENBAUM: Objection as to form.

19 11:04:31 THE WITNESS: No. It's a -- it's a

20 11:04:34 currency, and it has all the attributes of a

21 11:04:36 currency.

22 11:04:38 BY MR. SYLVESTER:

23 11:04:38 Q. Have you ever restricted your sales of XRP

24 11:04:40 to persons who wish to use XRP as a medium of

25 11:04:44 exchange?

1 11:04:47 MR. FLUMENBAUM: Objection as to form.

2 11:04:48 THE WITNESS: No.

3 11:04:48 BY MR. SYLVESTER:

4 11:04:48 Q. Have you ever restricted your sales of XRP

5 11:04:51 to persons who wish to use XRP as a store value?

6 11:04:55 MR. FLUMENBAUM: Objection as to form.

7 11:04:56 THE WITNESS: No.

8 11:04:56 BY MR. SYLVESTER:

9 11:04:56 Q. Have you ever restricted your sales of XRP

10 11:04:59 to persons who wished to use XRP as a unit of

11 11:05:02 account?

12 11:05:03 A. No.

13 11:05:04 MR. FLUMENBAUM: Objection as to form.

14 11:05:05 THE WITNESS: No.

15 11:05:05 BY MR. SYLVESTER:

16 11:05:06 Q. Okay. Have you ever restricted your sales

17 11:05:07 of XRP to only persons who wish to use XRP for

18 11:05:12 cross-border payments?

19 11:05:13 MR. FLUMENBAUM: Objection as to form.

20 11:05:14 THE WITNESS: No.

21 11:05:14 BY MR. SYLVESTER:

22 11:05:15 Q. Okay.

23 11:05:23 Have you ever become aware that any

24 11:05:25 purchasers of your XRP were purchasing XRP for

25 11:05:27 investment purposes?

1 11:05:30 MR. FLUMENBAUM: Objection as to form.

2 11:05:31 THE WITNESS: Not to my recollection.

3 11:05:35 BY MR. SYLVESTER:

4 11:05:35 Q. Okay. Has any purchaser of your XRP ever

5 11:05:38 told you that they were purchasing for investment

6 11:05:41 purposes?

7 11:05:42 MR. FLUMENBAUM: Objection as to form.

8 11:05:43 THE WITNESS: Not to my recollection.

9 11:05:44 BY MR. SYLVESTER:

10 11:05:44 Q. We discussed earlier a few sales that you

11 11:05:48 made directly to a Japanese entity or individual, to

12 11:05:53 another foreign person.

13 11:05:53 Do you recall that discussion?

14 11:05:55 A. Yes.

15 11:05:56 Q. Do you have an understanding of why those

16 11:05:58 individuals and entities purchased XRP from you?

17 11:06:02 MR. FLUMENBAUM: Objection as to form.

18 11:06:03 You may answer it, if you --

19 11:06:04 THE WITNESS: My understanding is they

20 11:06:06 were big participants in the Bitcoin markets, and

21 11:06:14 XRP was one of the few other currencies that existed

22 11:06:22 at that time. So they started including that in

23 11:06:25 their holdings as well.

24 11:06:27 BY MR. SYLVESTER:

25 11:06:35 Q. The Japanese person or entity -- was it a

1 11:06:38 person or an entity?

2 11:06:39 MR. FLUMENBAUM: Objection as to form.

3 11:06:40 You may answer.

4 11:06:42 THE WITNESS: I believe you're referring

5 11:06:43 to Bitcoin Japan was an entity.

6 11:06:48 BY MR. SYLVESTER:

7 11:06:48 Q. Okay.

8 11:06:48 A. Although the Japanese company has several

9 11:06:51 different entity names and is, obviously, probably

10 11:06:55 more complicated than that.

11 11:06:57 Q. What kind of business is Bitcoin Japan, or

12 11:07:00 whatever the purchasing entity was for your XRP?

13 11:07:04 MR. FLUMENBAUM: Objection as to form.

14 11:07:06 THE WITNESS: I'm not sure of all of the

15 11:07:10 scope of their businesses, but the best of my

16 11:07:13 understanding is equivalent to an exchange or a

17 11:07:16 fund.

18 11:07:18 BY MR. SYLVESTER:

19 11:07:18 Q. Okay. How about the other -- the foreign

20 11:07:27 person? Was that -- that was an individual or an

21 11:07:30 entity?

22 11:07:31 A. Well, it's an entity, a closely controlled

23 11:07:36 entity.

24 11:07:37 Q. Okay. And what's the nature of that

25 11:07:39 entity's business?

1 11:07:41 A. Well, that individual has a number of
2 11:07:46 entities with lots of different business interests
3 11:07:50 and is a -- one of the earliest Bitcoin holders and
4 11:07:56 is a -- you know, a strong believer in
5 11:07:59 cryptocurrencies, as you're going to find out there.

6 11:08:02 Q. I'm sorry, what was the last sentence?

7 11:08:03 A. A very strong believer in
8 11:08:05 cryptocurrencies, holding them and being involved in
9 11:08:09 them.

10 11:08:12 Q. Holding them for what purpose?

11 11:08:14 MR. FLUMENBAUM: Objection as to form.

12 11:08:14 THE WITNESS: It's hard for me to
13 11:08:16 understand exactly what that might be about.

14 11:08:20 BY MR. SYLVESTER:

15 11:08:20 Q. Did you have an understanding that that
16 11:08:24 person was intending to use the XRP to purchase
17 11:08:27 goods or services?

18 11:08:29 MR. FLUMENBAUM: Objection as to form.

19 11:08:31 THE WITNESS: That's impossible for me to
20 11:08:33 know.

21 11:08:33 BY MR. SYLVESTER:

22 11:08:33 Q. Okay. So that individual might have been
23 11:08:37 holding XRP for investment purposes?

24 11:08:39 MR. FLUMENBAUM: Objection as to form.

25 11:08:40 Anything is possible, Mr. Sylvester.

1 11:08:41 You want to ask a question that can be

2 11:08:43 answered, please?

3 11:08:46 THE WITNESS: I have no way of knowing

4 11:08:47 that.

5 11:08:47 BY MR. SYLVESTER:

6 11:08:47 Q. Okay.

7 11:08:47 When you sold your XRP, did you ever --

8 11:09:08 A. Are you done with this one?

9 11:09:10 Q. Yes.

10 11:09:10 Strike that.

11 11:09:12 When you sold your XRP, did you ever place

12 11:09:14 any restrictions on the purchaser from immediately

13 11:09:18 reselling the XRP?

14 11:09:21 MR. FLUMENBAUM: Objection as to form.

15 11:09:23 THE WITNESS: Are you talking about me as

16 11:09:24 an individual or about the company?

17 11:09:27 BY MR. SYLVESTER:

18 11:09:27 Q. Just about your sales of your XRP.

19 11:09:29 A. Not that I can recollect.

20 11:09:32 Q. Okay. Again, just focusing on your sales

21 11:09:35 of your XRP, did you ever prohibit any purchaser

22 11:09:38 from reselling the XRP they bought from you to

23 11:09:41 persons in the United States?

24 11:09:42 MR. FLUMENBAUM: Asked and answered.

25 11:09:44 Objection as to form again.

1 11:09:45 You may answer it again.
2 11:09:47 THE WITNESS: Not that I can recall.
3 11:09:48 BY MR. SYLVESTER:
4 11:09:48 Q. Okay. Did you ever instruct anyone who
5 11:10:00 was executing your sales of XRP to restrict sales of
6 11:10:03 XRP to persons who had a use for XRP?
7 11:10:08 MR. FLUMENBAUM: Objection, asked and
8 11:10:08 answered. Objection as to form.
9 11:10:10 You may try to answer it again.
10 11:10:19 THE WITNESS: My assumption is that
11 11:10:24 everyone has a use for it. But, you know -- can you
12 11:10:30 ask your question again, please?
13 11:10:31 MR. SYLVESTER: Sure.
14 11:10:33 Kat, do you mind reading it back? Thank
15 11:10:36 you.
16 11:10:36 (Record read by the reporter
17 11:10:36 as follows:
18 11:10:52 QUESTION: Did you ever
19 11:10:52 instruct anyone who was executing
20 11:10:52 your sales of XRP to restrict
21 11:10:52 sales of XRP to persons who had a
22 11:10:52 use for XRP?)
23 11:10:53 THE WITNESS: No.
24 11:10:58 MR. SYLVESTER: Let's look at Exhibit 203,
25 11:11:00 please.

1 11:11:01 MR. FLUMENBAUM: Sorry, what exhibit?

2 11:11:04 MR. SYLVESTER: 203.

3 11:11:05 (Whereupon, Deposition Exhibit CL-203

4 11:11:06 was marked for identification.)

5 11:11:33 BY MR. SYLVESTER:

6 11:11:33 Q. Exhibit 203 is labeled, "Defendant

7 11:11:36 Christian A. Larsen's Responses and Objections to

8 11:11:40 the SEC's First Set of Interrogatories."

9 11:11:42 Do you see that, Mr. Larsen?

10 11:11:44 A. Yes.

11 11:11:44 Q. If you turn to the second --

12 11:11:47 A. I should probably read this first.

13 11:11:50 Q. Sure. That's fine.

14 11:11:51 I have a question -- I think it's actually

15 11:11:53 just the -- my question is going to be on page 8 of

16 11:11:57 the document.

17 11:19:38 A. Okay.

18 11:19:43 MR. FLUMENBAUM: It's the last page.

19 11:19:46 THE WITNESS: Okay.

20 11:19:46 BY MR. SYLVESTER:

21 11:19:47 Q. Mr. Larsen, page 10 of the document,

22 11:19:49 that's your signature?

23 11:19:50 A. Yeah. But let me just finish this. I'm

24 11:19:52 sorry.

25 11:19:53 Q. Oh, okay.

1 11:20:17 A. Okay.

2 11:20:20 Q. Mr. Larsen, this is an interrogatory
3 11:20:27 asking for the dates and countries for the periods
4 11:20:30 that you were outside the United States between
5 11:20:32 September 1st, 2015 and December 22nd, 2020; is
6 11:20:37 that right?

7 11:20:37 A. Yes.

8 11:20:38 Q. And on page 8, there's a chart that lists
9 11:20:41 dates and locations.

10 11:20:43 Do you see that?

11 11:20:44 A. I do.

12 11:20:45 Q. To the best of your knowledge, are these
13 11:20:46 the dates between September 1st, 2015 and
14 11:20:49 December 22nd, 2020, in which you were outside the
15 11:20:52 United States?

16 11:20:53 A. To the best of my knowledge, yes.

17 11:20:58 Q. Okay. If you gave a direction to GSR to
18 11:21:02 sell your XRP between September 2015 -- strike that.

19 11:21:09 If you gave a direction to GSR to sell
20 11:21:11 your XRP between September 1st, 2015 and
21 11:21:14 December 22nd, 2020, during a time period that's
22 11:21:18 not on that list, it's safe to assume you were in
23 11:21:21 the United States?

24 11:21:23 MR. FLUMENBAUM: Objection as to form.

25 11:21:27 THE WITNESS: Yes.

1 11:21:30 BY MR. SYLVESTER:

2 11:21:30 Q. Okay. Do you have a trading account with

3 11:21:33 Bitstamp?

4 11:21:35 A. I have an account with Bitstamp, yes.

5 11:21:38 Q. Have you used that account to sell XRP?

6 11:21:45 A. Very rarely over the last several years.

7 11:21:49 In the early years, yes.

8 11:21:52 Q. Okay. Did you open the account with

9 11:21:56 Bitstamp in the U.S.?

10 11:21:58 MR. FLUMENBAUM: Objection as to form.

11 11:21:59 THE WITNESS: I don't recall.

12 11:22:00 BY MR. SYLVESTER:

13 11:22:00 Q. Okay. Did you open your GSR accounts in

14 11:22:03 the U.S.?

15 11:22:04 MR. FLUMENBAUM: Objection as to form.

16 11:22:07 THE WITNESS: I'm not sure GSR has a

17 11:22:08 notion of accounts. There's an agreement with GSR.

18 11:22:14 BY MR. SYLVESTER:

19 11:22:14 Q. Okay. Did you finalize your agreement

20 11:22:16 with GSR while you were in the U.S.?

21 11:22:18 MR. FLUMENBAUM: Objection as to form.

22 11:22:19 THE WITNESS: I don't recall.

23 11:22:20 BY MR. SYLVESTER:

24 11:22:20 Q. Okay. Do you have an account with

25 11:22:23 Coinbase?

1 11:22:24 MR. FLUMENBAUM: Objection as to form.

2 11:22:24 Asked and answered.

3 11:22:26 THE WITNESS: I do.

4 11:22:26 BY MR. SYLVESTER:

5 11:22:26 Q. Did you open your Coinbase account in the

6 11:22:29 U.S.?

7 11:22:30 MR. FLUMENBAUM: Objection as to form.

8 11:22:30 THE WITNESS: Yes.

9 11:22:30 BY MR. SYLVESTER:

10 11:22:30 Q. Okay. You have an account with GateHub?

11 11:22:34 A. I do.

12 11:22:35 Q. Did you sell XRP through that account?

13 11:22:41 A. So GateHub, just to be clear, works a

14 11:22:45 little differently since they use the XRP Ledger.

15 11:22:48 They don't have the notion, I believe, of accounts.

16 11:22:52 They have the notion of addresses.

17 11:22:53 Q. I see.

18 11:22:53 So you have a GateHub address, then?

19 11:22:56 A. Correct.

20 11:22:57 Q. Okay. Did you sell any XRP in connection

21 11:22:59 with that GateHub address?

22 11:23:02 MR. FLUMENBAUM: Objection as to form.

23 11:23:02 THE WITNESS: In the early years, yes.

24 11:23:04 Yeah.

25 / /

1 11:23:05 BY MR. SYLVESTER:

2 11:23:05 Q. Okay. Did you open that GateHub address
3 11:23:08 in the U.S.?

4 11:23:10 A. I don't recall.

5 11:23:11 MR. FLUMENBAUM: Objection as to form.

6 11:23:11 BY MR. SYLVESTER:

7 11:23:12 Q. Okay. You testified you were one of the
8 11:23:20 founders of Ripple. Is that right?

9 11:23:22 MR. FLUMENBAUM: Objection as to form.

10 11:23:24 You may --

11 11:23:28 THE WITNESS: At the time of founding, it
12 11:23:31 was called "Opencoin," but yes.

13 11:23:34 BY MR. SYLVESTER:

14 11:23:34 Q. Why did you and the cofounders found
15 11:23:37 Opencoin?

16 11:23:38 A. So we can build applications that would
17 11:23:42 use blockchain technology.

18 11:23:50 Q. When you say, "applications," can you be
19 11:23:51 more specific about what that means generally?

20 11:23:53 MR. FLUMENBAUM: Objection as to form.

21 11:23:56 You may answer.

22 11:23:57 THE WITNESS: Depends on the time period.

23 11:23:59 BY MR. SYLVESTER:

24 11:23:59 Q. Does it depend on the time period because
25 11:24:08 the applications that Opencoin contemplated building

1 11:24:14 changed throughout the years?

2 11:24:16 MR. FLUMENBAUM: Objection as to form.

3 11:24:17 THE WITNESS: Yes.

4 11:24:20 BY MR. SYLVESTER:

5 11:24:20 Q. Okay. Does applications generally include

6 11:24:23 software applications?

7 11:24:25 MR. FLUMENBAUM: Objection as to form.

8 11:24:26 You may answer.

9 11:24:29 THE WITNESS: Most applications will

10 11:24:31 involve software.

11 11:24:33 BY MR. SYLVESTER:

12 11:24:33 Q. And you said Opencoin was founded to build

13 11:24:36 applications using blockchain technology.

14 11:24:39 Does that include the XRP Ledger?

15 11:24:43 MR. FLUMENBAUM: Objection as to form.

16 11:24:44 You may answer.

17 11:24:45 THE WITNESS: I'm sorry, can you repeat

18 11:24:46 the question?

19 11:24:47 BY MR. SYLVESTER:

20 11:24:47 Q. Sure.

21 11:24:48 You testified that Opencoin was founded to

22 11:24:52 build applications that use blockchain technology.

23 11:24:56 And my question is whether that blockchain

24 11:24:59 technology includes the XRP Ledger?

25 11:25:01 MR. FLUMENBAUM: Objection as to form.

1 11:25:02 THE WITNESS: Yes. The applications that
2 11:25:04 we built, some of them would utilize the open source
3 11:25:11 software, including the XRP Ledger.

4 11:25:17 BY MR. SYLVESTER:

5 11:25:17 Q. Okay.

6 11:25:17 Was there other blockchain technology
7 11:25:25 other than the XRP Ledger that Opencoin intended to
8 11:25:31 build applications on in the early years?

9 11:25:34 A. Yes.

10 11:25:35 MR. FLUMENBAUM: Objection as to form.

11 11:25:35 You may answer.

12 11:25:36 THE WITNESS: Yes.

13 11:25:36 BY MR. SYLVESTER:

14 11:25:37 Q. Okay. What's that?

15 11:25:37 MR. FLUMENBAUM: Objection as to form.

16 11:25:37 You may answer.

17 11:25:41 THE WITNESS: There are three broad
18 11:25:43 components, XRP Ledger, Interledger Protocol,
19 11:25:48 Codius, a smart contacting program, in the early
20 11:25:53 years.

21 11:25:56 BY MR. SYLVESTER:

22 11:25:56 Q. When -- in the early years of Opencoin,
23 11:26:06 did it have a business model?

24 11:26:12 MR. FLUMENBAUM: Again, objection as to
25 11:26:13 form.

1 11:26:13 Can we be a little more precise on timing
2 11:26:17 here in these questions?
3 11:26:20 MR. SYLVESTER: Sure.
4 11:26:20 Q. In, say, in and around fall of 2012, did
5 11:26:25 Opencoin have a business model?
6 11:26:30 MR. FLUMENBAUM: Objection as to form.
7 11:26:31 THE WITNESS: So when you say "business
8 11:26:33 model," I think in terms of product market fit. And
9 11:26:38 product market fit is something that happens down
10 11:26:41 the road in most start-ups, including Opencoin,
11 11:26:45 Ripple.
12 11:26:46 And that's okay. In the early days, I
13 11:26:49 think you don't really have to have product market
14 11:26:53 fit for necessarily a business model.
15 11:26:56 BY MR. SYLVESTER:
16 11:26:56 Q. Okay. Can you explain to me what that
17 11:26:58 phrase means, "product market fit"?
18 11:27:00 A. Product market fit is when you found the
19 11:27:04 best application for a product or a service and you
20 11:27:10 have a good solution to that -- that problem.
21 11:27:17 Q. Okay. So at the start of Opencoin, it
22 11:27:21 wasn't yet clear what the best application was for
23 11:27:26 the XRP Ledger; is that right?
24 11:27:29 MR. FLUMENBAUM: Objection as to form.
25 11:27:29 You may answer.

1 11:27:32 THE WITNESS: Yeah. And that's very
2 11:27:33 typical of a tele start-up. You know, that's a big
3 11:27:36 opportunity. You don't know exactly where it's
4 11:27:39 going. Try a lot of things.

5 11:27:40 BY MR. SYLVESTER:

6 11:27:40 Q. So one of the goals of Opencoin in its
7 11:27:43 inception was to figure out what applications could
8 11:27:45 be built on the XRP Ledger that would ultimately
9 11:27:48 become marketable?

10 11:27:50 MR. FLUMENBAUM: Objection as to form.

11 11:27:52 I think the witness also had other
12 11:27:55 applications that he talked about.

13 11:27:59 MR. SYLVESTER: Sure.

14 11:27:59 Q. Among what you talked about.

15 11:28:02 MR. FLUMENBAUM: Objection as to form.

16 11:28:02 THE WITNESS: I'm sorry, could you repeat
17 11:28:03 the question?

18 11:28:06 BY MR. SYLVESTER:

19 11:28:06 Q. Sure.

20 11:28:06 One of the goals of Opencoin in its
21 11:28:09 inception was to figure out what applications could
22 11:28:12 be built on the XRP Ledger that would ultimately
23 11:28:15 become marketable.

24 11:28:17 MR. FLUMENBAUM: Objection as to form.

25 11:28:17 You may answer.

1 11:28:19 THE WITNESS: They have to -- to narrow a
2 11:28:22 definition, the real objective of an entity like
3 11:28:25 what became Ripple, Opencoin, is to be able to build
4 11:28:30 a team that can develop applications across a number
5 11:28:34 of different technologies.

6 11:28:57 BY MR. SYLVESTER:

7 11:28:57 Q. All right. At Opencoin's inception, did
8 11:29:00 it have any plan as to how it would raise capital to
9 11:29:03 fund its operations?

10 11:29:05 MR. FLUMENBAUM: Objection as to form.

11 11:29:07 THE WITNESS: Yes.

12 11:29:07 BY MR. SYLVESTER:

13 11:29:07 Q. What was that plan?

14 11:29:11 A. To raise traditional seed, and then
15 11:29:15 venture capital investments in exchange for stock in
16 11:29:20 the company.

17 11:29:24 Q. Other than the capital-raising tactic that
18 11:29:28 you just mentioned, did Opencoin have any other
19 11:29:33 plans with respect to raising capital for its
20 11:29:36 operations in the fall 2012 time frame?

21 11:29:39 MR. FLUMENBAUM: Objection as to form.

22 11:29:40 THE WITNESS: Can you repeat the question
23 11:29:40 again?

24 11:29:41 BY MR. SYLVESTER:

25 11:29:41 Q. Sure.

1 11:29:46 Other than the capital-raising tactics you
2 11:29:49 just mentioned, did Opencoin have any other plans
3 11:29:51 with respect to raising capital for its operations
4 11:29:53 in the fall 2012 time frame?
5 11:29:55 A. Yes.
6 11:29:57 Q. What were those other plans?
7 11:29:59 A. The two founders also put their own
8 11:30:03 capital directly into the corporation.
9 11:30:09 Q. Other than what we've just discussed, did
10 11:30:13 Opencoin have any other plans with respect to
11 11:30:15 raising capital to funding -- to fund its operations
12 11:30:19 in the fall of 2012?
13 11:30:21 A. No, that -- that covers it.
14 11:30:25 Q. Okay. In around fall of 2012, did --
15 11:30:34 might be easier to call it "Ripple."
16 11:30:36 If I just call it "Ripple" --
17 11:30:38 A. Sure.
18 11:30:39 Q. -- do you know that I will be including
19 11:30:41 Opencoin?
20 11:30:41 A. Sure.
21 11:30:42 Q. Okay.
22 11:30:42 In fall of 2012, did Ripple -- strike
23 11:30:45 that.
24 11:30:45 In fall of 2012, Ripple had 80 billion
25 11:30:48 XRP; is that right?

1 11:30:52 MR. FLUMENBAUM: Objection as to form.

2 11:30:54 THE WITNESS: Ripple was given 80 billion

3 11:30:59 XRP.

4 11:30:59 It's probably a slightly different number

5 11:31:02 than that because of the destruction of small

6 11:31:05 amounts of XRP that occurred.

7 11:31:10 BY MR. SYLVESTER:

8 11:31:10 Q. Okay. So Ripple was in possession of

9 11:31:13 approximately 80 billion XRP in fall of 2012; is

10 11:31:16 that fair?

11 11:31:18 MR. FLUMENBAUM: Objection as to form.

12 11:31:19 THE WITNESS: Yes.

13 11:31:21 BY MR. SYLVESTER:

14 11:31:21 Q. Okay. Did Ripple in fall of 2012 have a

15 11:31:24 plan of distribution of its XRP?

16 11:31:31 MR. FLUMENBAUM: Objection as to form.

17 11:31:32 THE WITNESS: There were initial ideas

18 11:31:33 about -- about that, yes.

19 11:31:34 BY MR. SYLVESTER:

20 11:31:34 Q. What were those initial ideas?

21 11:31:39 A. That we would roughly give away, I think,

22 11:31:44 in excess of 50 billion of that and keep about, if I

23 11:31:50 remember, roughly 25 billion.

24 11:31:54 Q. To whom did Ripple plan to give away the

25 11:31:57 50 billion XRP?

1 11:32:00 A. I don't recall the entire list, but giving
2 11:32:03 it away to basically users. That could include
3 11:32:15 companies, individuals, nonprofits, you know, a
4 11:32:19 broad list.

5 11:32:22 Q. When you say users, in that fall 2012 time
6 11:32:25 frame, what would -- what would those individuals or
7 11:32:30 companies have been using the XRP for?

8 11:32:33 MR. FLUMENBAUM: Objection as to form.

9 11:32:37 THE WITNESS: I'm sorry, can you repeat
10 11:32:38 the time frame you're talking about?

11 11:32:39 BY MR. SYLVESTER:

12 11:32:39 Q. Sure.

13 11:32:39 In the fall 2012 time frame, Ripple had a
14 11:32:42 plan to distribute XRP to users, you said, I think;
15 11:32:45 is that right?

16 11:32:47 A. Well, we had a rough idea.

17 11:32:49 Q. Okay. Fair enough.

18 11:32:50 What were the uses of XRP in fall 2012?

19 11:32:54 MR. FLUMENBAUM: Objection as to form.

20 11:32:58 THE WITNESS: In the fall of 2012, the
21 11:33:02 Ledger was, of course, complete, but it was still
22 11:33:06 going through a series of resets. So it wasn't
23 11:33:10 ready yet for wide distribution.

24 11:33:16 BY MR. SYLVESTER:

25 11:33:16 Q. Okay. When -- in the fall 2012 time

1 11:33:25 frame, when did Ripple plan to begin the
2 11:33:28 distribution of XRP?

3 11:33:31 MR. FLUMENBAUM: Objection as to form.

4 11:33:31 THE WITNESS: I don't recall the date that
5 11:33:32 we had a plan for.

6 11:33:38 BY MR. SYLVESTER:

7 11:33:38 Q. Are you familiar with the term "faucet" as
8 11:33:40 it applies to the distribution of Ripple's XRP?

9 11:33:44 A. Yes.

10 11:33:45 Q. What does the term "faucet" mean?

11 11:33:50 A. "Faucet" was a term that was used in the
12 11:33:52 Bitcoin system for giving away Bitcoin, for example,
13 11:33:57 or XRP, for example.

14 11:34:00 Q. So a reference to a faucet with respect to
15 11:34:03 XRP means giving away XRP?

16 11:34:07 A. Essentially.

17 11:34:19 MR. SYLVESTER: Let's look at Exhibit 13,
18 11:34:21 please.

19 11:34:25 (Whereupon, Deposition Exhibit CL-13
20 11:34:26 was marked for identification.)

21 11:34:26 BY MR. SYLVESTER:

22 11:34:58 Q. Exhibit 13 is an exchange of emails with
23 11:35:04 an attachment. The top email is from Mr. Larsen to
24 11:35:07 [REDACTED] dated October 8th, 2013.

25 11:35:24 A. Okay.

1 11:45:21 Q. Who is [REDACTED]?

2 11:45:26 A. [REDACTED] is a journalist, political

3 11:45:30 advisor, used to be an editor of a large newspaper.

4 11:45:34 Q. At some point in time, Mr. [REDACTED] was a

5 11:45:36 Ripple board member?

6 11:45:38 A. Years later from this, yeah.

7 11:45:40 Q. From approximately when to approximately

8 11:45:41 when was he a board member?

9 11:45:45 A. I don't recall the date he started, but

10 11:45:49 until 2020 is when he -- when I asked him to leave

11 11:45:54 the board.

12 11:45:54 Q. Did he become a Ripple board member during

13 11:45:56 the time you were CEO?

14 11:46:02 A. I don't recall. I don't recall.

15 11:46:05 Q. Was he an independent director?

16 11:46:07 A. Yes. He was an independent director, I

17 11:46:09 believe.

18 11:46:12 Q. At the time of this document, Exhibit 13,

19 11:46:14 it appears that Mr. [REDACTED] is contemplating

20 11:46:18 publishing the attachment; is that correct? The

21 11:46:24 attachment to the email?

22 11:46:25 A. It appears that, yes.

23 11:46:26 Q. And you provided comments to the

24 11:46:28 attachment; is that correct?

25 11:46:29 A. Correct.

1 11:46:29 Q. Okay.

2 11:46:36 Looking at page ending Bates -681, do you

3 11:46:45 see the paragraph that begins with the phrase "So

4 11:46:47 let's talk"?

5 11:46:49 A. Oh, -81.

6 11:46:51 I'm sorry, -681?

7 11:46:55 Q. Yes.

8 11:46:56 A. Yes, I see that.

9 11:46:57 Q. Okay. The gray text is your comment, I

10 11:47:02 take it?

11 11:47:04 A. I believe so.

12 11:47:04 Q. Okay. It says, "We use 'Ripple' for the

13 11:47:09 protocol, [lower-case] 'ripple' for the currency."

14 11:47:12 Do you see that?

15 11:47:13 A. I do.

16 11:47:14 Q. Is this lower-case ripple a reference to

17 11:47:16 XRP?

18 11:47:20 A. Yes, it is.

19 11:47:20 Q. Was XRP originally called "Ripple"?

20 11:47:27 A. Yes. It comes from the Ripple project,

21 11:47:31 which was folded into the protocol at -- during

22 11:47:35 the -- the project period.

23 11:47:38 Q. For how long was XRP called "Ripple"?

24 11:47:41 A. I don't recall.

25 11:47:44 Q. Okay. Does "XRP" stand for anything?

1 11:47:49 A. It stands for -- it's the nomenclature for
2 11:47:57 currencies, which usually have three positions.
3 11:48:00 So "JPY" is the country Japan. "Y" is
4 11:48:07 Yen. When it comes to cryptocurrencies, you have no
5 11:48:12 country, so it's "X," and then some designation of
6 11:48:17 the name of the currency.
7 11:48:20 Q. I see.
8 11:48:21 A. So Bitcoin sometimes is BTC but it's
9 11:48:25 actually XBT.
10 11:48:28 Q. Okay. And is the "R" in XRP "Ripple"?
11 11:48:31 A. "RP" stood for Ripple at the time.
12 11:48:38 Q. Okay. Let's look at page -680 -- Bates
13 11:48:44 ending -680, the first paragraph.
14 11:48:51 The second comment down in a parenthetical
15 11:48:55 says:
16 11:48:56 "Importantly Ripple Labs will
17 11:48:58 never sell to the public, we'll
18 11:49:00 give away to the public."
19 11:49:02 Do you see that?
20 11:49:03 A. I do.
21 11:49:03 Q. A little later, it says, "Over half will
22 11:49:05 be given away."
23 11:49:07 Do you see that?
24 11:49:07 A. Yes.
25 11:49:08 Q. Is that a referencing to the initial

1 11:49:10 Ripple plan to give away approximately 50 billion

2 11:49:13 XRP?

3 11:49:15 MR. FLUMENBAUM: Objection as to form.

4 11:49:16 You may answer.

5 11:49:18 THE WITNESS: That's my understanding,

6 11:49:19 yes.

7 11:49:21 BY MR. SYLVESTER:

8 11:49:21 Q. What was the purpose of that distribution

9 11:49:23 plan?

10 11:49:27 A. The same as the Bitcoin faucet, to

11 11:49:31 distribute to -- as widely as possible.

12 11:49:39 Q. What was the purpose of distributing XRP

13 11:49:41 as widely as possible?

14 11:49:42 A. Whether that would be a good thing for the

15 11:49:44 ecosystem and for developers, users, basically any

16 11:49:52 purpose.

17 11:49:57 Q. Did you expect that distribution of XRP to

18 11:50:00 the general population would allow XRP to begin to

19 11:50:04 trade and establish value?

20 11:50:07 MR. FLUMENBAUM: Objection as to form.

21 11:50:10 THE WITNESS: No. It's -- it's to create

22 11:50:12 an ecosystem, just like Bitcoin or Ethereum have

23 11:50:19 their method of giving to people. And that would be

24 11:50:27 good for utility, liquidity, which would be

25 11:50:34 important in any cryptocurrency ecosystem.

1 11:50:41 BY MR. SYLVESTER:

2 11:50:41 Q. Okay. The distribution of XRP, according

3 11:50:45 to the initial plan, to give away approximately

4 11:50:49 50 billion XRP, would be good for the utility of

5 11:50:52 XRP?

6 11:50:55 MR. FLUMENBAUM: Objection as to form.

7 11:50:56 You take pieces out of his sentence and

8 11:50:59 then ask him the same question again.

9 11:51:03 BY MR. SYLVESTER:

10 11:51:04 Q. You can answer.

11 11:51:05 A. We've always been focused on utility,

12 11:51:08 liquidity and trust. Those have always been the

13 11:51:13 focus.

14 11:51:16 Q. Liquidity of XRP?

15 11:51:18 MR. FLUMENBAUM: Objection as to form.

16 11:51:19 THE WITNESS: Yes.

17 11:51:19 BY MR. SYLVESTER:

18 11:51:19 Q. The "we" in that sentence is Ripple; is

19 11:51:24 that right?

20 11:51:26 MR. FLUMENBAUM: Objection as to form.

21 11:51:27 THE WITNESS: Yes.

22 11:51:27 BY MR. SYLVESTER:

23 11:51:27 Q. Okay.

24 11:51:27 Did Ripple ultimately give away 50 billion

25 11:51:39 XRP to the public?

1 11:51:41 A. No.

2 11:51:41 Q. Why not?

3 11:51:45 MR. FLUMENBAUM: Objection as to form.

4 11:51:47 You may answer.

5 11:51:48 THE WITNESS: What we found, and most of

6 11:51:50 the cryptocurrency ecosystems found, was giving away

7 11:51:56 opened you up to too much abuse and spamming, too

8 11:52:02 many fake accounts posing to be different

9 11:52:04 individuals would take advantage of the giveaways

10 11:52:08 once the currencies had value.

11 11:52:23 BY MR. SYLVESTER:

12 11:52:23 Q. Did you observe that -- that negative

13 11:52:25 outcome happen with respect to XRP?

14 11:52:27 A. Yes.

15 11:52:37 Q. And was that outcome the reason that

16 11:52:39 Ripple -- strike that.

17 11:52:49 Another portion of your comment is,

18 11:52:50 "Importantly Ripple Labs will never sell to the

19 11:52:52 public."

20 11:52:53 Do you see that?

21 11:52:53 A. Yes.

22 11:52:54 Q. Ripple ultimately did sell XRP to the

23 11:52:56 public, correct?

24 11:52:58 MR. FLUMENBAUM: Objection as to form.

25 11:52:58 THE WITNESS: No, that's not correct.

1 11:53:03 BY MR. SYLVESTER:

2 11:53:03 Q. To whom did Ripple sell its XRP?

3 11:53:07 A. To market makers and exchanges.

4 11:53:10 Q. Do you have an understanding if those

5 11:53:13 market makers and exchanges sold the XRP to members

6 11:53:15 of the public?

7 11:53:18 A. I don't know what they do with their

8 11:53:20 currency.

9 11:53:20 Q. Do you have an understanding that those

10 11:53:22 market makers and exchanges sold the XRP?

11 11:53:26 A. I don't.

12 11:53:27 It's up to them what they want to do with

13 11:53:29 it.

14 11:53:38 Q. So Ripple has sold over a billion XRP; is

15 11:53:41 that right?

16 11:53:42 MR. FLUMENBAUM: Objection as to form.

17 11:53:43 MR. SYLVESTER: Strike that.

18 11:53:43 Q. Ripple sold over a billion dollars of XRP;

19 11:53:47 is that right?

20 11:53:47 A. Over what period of time are you speaking?

21 11:53:49 Q. From 2013 to 2020.

22 11:53:54 A. I don't know the exact number. It's

23 11:53:56 possible.

24 11:53:57 Q. Okay. And -- and your testimony is that

25 11:54:02 you don't know whether or not any of that XRP landed

1 11:54:05 in the hands of the general public?

2 11:54:07 MR. FLUMENBAUM: Objection as to form.

3 11:54:09 THE WITNESS: Again, we don't -- it's not

4 11:54:11 possible for us to know what an entity is going to

5 11:54:15 be doing with their currency.

6 11:54:17 BY MR. SYLVESTER:

7 11:54:17 Q. Is it plausible that the market makers

8 11:54:19 kept it all, [REDACTED] dollars?

9 11:54:22 A. That's possible.

10 11:54:23 MR. FLUMENBAUM: Objection as to form.

11 11:54:24 BY MR. SYLVESTER:

12 11:54:24 Q. Do you know one way or the other?

13 11:54:26 A. No, I don't know.

14 11:54:34 Q. You also comment on the same page,

15 11:54:35 "Importantly, the company isn't the issuer, the

16 11:54:40 founders were the issuers."

17 11:54:40 Do you see that?

18 11:54:42 A. I do.

19 11:54:42 Q. Is that an issuance of XRP?

20 11:54:46 A. Yes.

21 11:54:46 Q. Why is it important that the company was

22 11:54:49 not the issuer?

23 11:54:51 A. Because being an issuer of prepaid access

24 11:54:55 is against the money transmission laws as regulated

25 11:54:58 by FinCEN and Treasury, which is the key regulator

1 11:55:01 in this industry and always has been the key

2 11:55:06 industry -- regulator of this industry.

3 11:55:08 Q. Okay. Any other reason?

4 11:55:14 A. No.

5 11:55:16 Again, being an issuer with prepaid access

6 11:55:19 is a big risk, especially in those early years.

7 11:55:25 Became less of a risk later, but it was a very big

8 11:55:29 risk at that time.

9 11:55:34 Q. The final paragraph on that page, Bates

10 11:55:36 ending with -680, that starts with "What's more," do

11 11:55:41 you see that?

12 11:55:42 A. Yes.

13 11:55:42 Q. Okay. The second sentence says:

14 11:55:43 "At least these guys have made

15 11:55:45 clear that there are 100 billion

16 11:55:47 ripples; there can never be another

17 11:55:50 one created, and they're holding

18 11:55:52 onto half" -- your comment inserts

19 11:55:54 25 percent -- "of them with the

20 11:55:55 hope that they increase in value."

21 11:55:58 Do you see that?

22 11:55:59 A. I do.

23 11:55:59 Q. Was that an accurate statement of Ripple's

24 11:56:01 hope at the time, that it hoped XRP would increase

25 11:56:04 in value?

1 11:56:07 A. Are you asking about the entire sentence
2 11:56:09 here?
3 11:56:10 Q. No. Just whether or not it's an accurate
4 11:56:13 statement that, at the time of this document, Ripple
5 11:56:16 hoped that XRP would increase in value?
6 11:56:18 A. It's -- it's accurate to talk about how
7 11:56:22 valuable a currency is to the world. Importantly,
8 11:56:26 that's different than price. But valuable to the
9 11:56:28 world is how much utility it has to the world, and
10 11:56:31 that's tied to how much liquidity exists, as well as
11 11:56:34 how much trust.
12 11:56:35 Q. Sure.
13 11:56:35 But XRP was also an asset that Ripple
14 11:56:39 held, correct?
15 11:56:40 A. Are you asking now about the earlier part
16 11:56:42 of the sentence?
17 11:56:43 Q. No. I'm just asking in general, XRP at
18 11:56:45 this time was an asset that Ripple held?
19 11:56:49 MR. FLUMENBAUM: Objection as to form.
20 11:56:50 You may answer.
21 11:56:51 THE WITNESS: Can you ask the whole --
22 11:56:53 again, I want to -- I want to be clear about if
23 11:56:57 you're asking about this portion of this statement.
24 11:56:59 Because there's some things that aren't
25 11:57:02 really clear in his sentence that weren't worth

1 11:57:06 correcting.

2 11:57:06 BY MR. SYLVESTER:

3 11:57:07 Q. Divorced from this document, in 2013, XRP

4 11:57:09 was an asset that Ripple held, correct?

5 11:57:12 MR. FLUMENBAUM: Objection as to form.

6 11:57:12 You may answer.

7 11:57:13 THE WITNESS: XRP was a currency,

8 11:57:15 currencies are assets, so currencies would be under

9 11:57:19 the classification of assets on a balance sheet.

10 11:57:23 BY MR. SYLVESTER:

11 11:57:23 Q. Okay. And did Ripple hope in 2013 that

12 11:57:25 the -- that XRP would increase in value?

13 11:57:29 MR. FLUMENBAUM: Objection as to form.

14 11:57:31 You may answer.

15 11:57:32 THE WITNESS: Yes. It's very -- we were

16 11:57:37 focused on a currency being valuable to the world,

17 11:57:41 and, again, very importantly, value different than

18 11:57:44 price.

19 11:57:44 Valuable is how useful something is in the

20 11:57:47 world. The more useful it is, the more valuable it

21 11:57:50 is in the world, and that's a good thing because

22 11:57:53 you're having impact on the world.

23 11:57:54 BY MR. SYLVESTER:

24 11:57:54 Q. Typically, the more valuable an asset is

25 11:57:58 to the world is reflected in its price; is it not?

1 11:58:01 A. No, that's not --
2 11:58:02 MR. FLUMENBAUM: Objection as to form.
3 11:58:03 You may answer.
4 11:58:04 THE WITNESS: Sorry.
5 11:58:04 That's not correct. In many instances,
6 11:58:07 the U.S. dollar is more valuable to the world when
7 11:58:11 its price vis-a-vis other assets or currencies is
8 11:58:15 lower.
9 11:58:16 So, again, focus on utility, liquidity and
10 11:58:20 trust is, in my opinion, very important.
11 11:58:32 BY MR. SYLVESTER:
12 11:58:32 Q. The final page of this document, Bates
13 11:58:39 ending -684.
14 11:58:45 A. Yes.
15 11:58:46 Q. Mr. [REDACTED] writes, "Meanwhile, I'm
16 11:58:49 stocking up on ripple while it's still less than a
17 11:58:51 penny a piece."
18 11:58:53 Do you see that?
19 11:58:53 A. I do.
20 11:58:54 Q. Do you take that to be a reference to
21 11:58:56 XRP's price?
22 11:58:58 MR. FLUMENBAUM: Objection as to form.
23 11:58:58 THE WITNESS: Yes.
24 11:58:59 BY MR. SYLVESTER:
25 11:58:59 Q. Do you have any comments on that sentence?

1 11:59:02 MR. FLUMENBAUM: Objection as to form.

2 11:59:04 Document speaks for itself.

3 11:59:07 THE WITNESS: I'm sorry, what's your

4 11:59:08 question exactly, please?

5 11:59:10 BY MR. SYLVESTER:

6 11:59:10 Q. Sure.

7 11:59:10 Did you provide any comments on that

8 11:59:12 concluding sentence?

9 11:59:16 MR. FLUMENBAUM: Objection as to form.

10 11:59:17 This is a document by Mr. [REDACTED] not by

11 11:59:23 Mr. --

12 11:59:23 MR. SYLVESTER: Larsen?

13 11:59:24 MR. FLUMENBAUM: -- Larsen, and he

14 11:59:27 corrected errors, as you've gone through, that

15 11:59:31 related to Ripple.

16 11:59:32 And so --

17 11:59:34 BY MR. SYLVESTER:

18 11:59:35 Q. The question is just whether or not you

19 11:59:36 provided comments as to that sentence?

20 11:59:38 A. I didn't because he wasn't looking for me

21 11:59:40 to rewrite his article. He was looking for me to

22 11:59:42 correct inaccuracies in his article.

23 11:59:46 MR. FLUMENBAUM: Are we done with this?

24 11:59:48 MR. SYLVESTER: We are.

25 11:59:49 MR. FLUMENBAUM: We've been going for

1 11:59:51 another two hours, so I think it's --
2 11:59:53 MR. SYLVESTER: Let me ask just one
3 11:59:54 follow-up question on that.
4 11:59:55 MR. FLUMENBAUM: I need to take a break,
5 11:59:56 so let's take a break right now, and then we'll --
6 12:00:00 we can take a short break --
7 12:00:03 MR. SYLVESTER: Fair enough.
8 12:00:03 MR. FLUMENBAUM: -- and we'll go for
9 12:00:05 another chunk afterwards.
10 12:00:06 MR. SYLVESTER: All right. Let's go off
11 12:00:07 the record.
12 12:00:07 MR. FLUMENBAUM: And then we'll have a
13 12:00:08 longer break for lunch, if that's okay with you
14 12:00:11 guys.
15 12:00:12 THE VIDEOGRAPHER: Okay. We're off the
16 12:00:14 record at 12:00 p.m.
17 12:15:51 (Whereupon, a recess was taken.)
18 12:16:26 THE VIDEOGRAPHER: This is the beginning
19 12:16:27 of File Number 3.
20 12:16:28 We're back on the record at 12:16 p.m.
21 12:16:31 BY MR. SYLVESTER:
22 12:16:33 Q. Okay. Mr. Larsen, in the fall of 2013,
23 12:16:37 was Ripple trying to develop uses for XRP?
24 12:16:48 A. XRP was -- had utility from the moment it
25 12:16:55 began. Ripple was trying to develop additional

1 12:17:00 applications that would have utility.

2 12:17:04 Q. What utility did XRP have at the moment it

3 12:17:07 began?

4 12:17:10 A. It had exactly the utility Bitcoin had,

5 12:17:14 Ethereum later had, around being a currency without

6 12:17:17 a counterparty, without a government.

7 12:17:20 Q. In the fall of 2013, was anyone using XRP

8 12:17:23 as a currency?

9 12:17:28 A. People were using XRP in the same way as

10 12:17:32 they were using Bitcoin, and later, Ethereum, as a

11 12:17:36 currency, as a medium of exchange, store value, unit

12 12:17:40 of account currency that, like fiat currencies, is

13 12:17:48 divisible, fungible, durable, only difference being

14 12:17:53 it has no issuer, no counterparty.

15 12:17:56 Q. In the fall of 2013, were you using XRP to

16 12:18:01 buy goods or services?

17 12:18:03 A. From time to time, I would buy -- I could

18 12:18:07 buy things with it.

19 12:18:10 Q. How much volume is there in XRP's use as a

20 12:18:15 currency in 2013?

21 12:18:17 A. I'm sorry, what was the question again?

22 12:18:18 Q. Sure.

23 12:18:18 How much volume was there in XRP's use as

24 12:18:21 a currency in 2013?

25 12:18:24 MR. FLUMENBAUM: Objection as to form.

1 12:18:26 THE WITNESS: 100 percent of the volume of
2 12:18:31 the XRP markets is as a currency.
3 12:18:35 BY MR. SYLVESTER:
4 12:18:35 Q. Sure.
5 12:18:36 What volume of XRP was being used in 2013
6 12:18:39 to purchase goods and services?
7 12:18:42 MR. FLUMENBAUM: Objection as to form.
8 12:18:45 You may answer, if you know.
9 12:18:46 THE WITNESS: I don't know. I have no way
10 12:18:48 of knowing that.
11 12:18:49 BY MR. SYLVESTER:
12 12:18:49 Q. Okay. You mentioned in fall 2013, Ripple
13 12:19:00 was trying to develop additional applications that
14 12:19:03 would have utility with respect to XRP. Is that
15 12:19:05 right?
16 12:19:08 MR. FLUMENBAUM: Objection as to form.
17 12:19:10 You may answer.
18 12:19:10 THE WITNESS: We're trying to develop
19 12:19:11 products that have product market fit.
20 12:19:13 BY MR. SYLVESTER:
21 12:19:13 Q. Those are products that would use XRP?
22 12:19:17 A. As I mentioned before, it could be
23 12:19:20 products that are using the technology of the XRP
24 12:19:25 Ledger, which may or may not involve XRP 'cause XRP
25 12:19:29 Ledger is also a decentralized exchange, or ILP, the

1 12:19:36 Interledger Protocol, or Codius for a time as well.

2 12:19:42 Q. Okay. Again, fall 2013 time frame, you

3 12:19:46 mentioned that XRP was being used for goods or

4 12:19:49 services, but you don't know the volume. Is that

5 12:19:51 right?

6 12:19:52 MR. FLUMENBAUM: Objection as to form.

7 12:19:53 THE WITNESS: Correct.

8 12:19:53 BY MR. SYLVESTER:

9 12:19:53 Q. What's the basis for your knowledge that

10 12:19:56 it was being used to purchase goods or services?

11 12:20:01 A. Oh, well, there were many stores that

12 12:20:04 allowed for the use of XRP to purchase things.

13 12:20:07 Q. I see.

14 12:20:11 But you're not sure if XRP was actually

15 12:20:13 used to purchase things; is that right?

16 12:20:15 A. No. I'm certain --

17 12:20:17 MR. FLUMENBAUM: Objection as to form.

18 12:20:18 You may answer.

19 12:20:19 THE WITNESS: I'm certain it was.

20 12:20:20 BY MR. SYLVESTER:

21 12:20:20 Q. Focusing just on XRP in the fall of 2013,

22 12:20:22 was Ripple making any efforts to create applications

23 12:20:26 that used XRP?

24 12:20:32 MR. FLUMENBAUM: Objection as to form.

25 12:20:33 Asked and answered.

1 12:20:33 Please answer it again.

2 12:20:35 THE WITNESS: In 2013, is that --

3 12:20:37 BY MR. SYLVESTER:

4 12:20:38 Q. Yes.

5 12:20:39 MR. FLUMENBAUM: Fall of 2013.

6 12:20:40 THE WITNESS: Yes.

7 12:20:40 I can't recall if that was focused on

8 12:20:46 cross-border payments or if it was focused on Ripple

9 12:20:49 Trade, for example, which is a product that we had

10 12:20:53 in the early years which was discontinued later.

11 12:20:57 BY MR. SYLVESTER:

12 12:20:57 Q. Fair to say, Ripple's had various ideas

13 12:21:01 over the years of market applications --

14 12:21:03 sorry -- strike that.

15 12:21:05 Is it fair to say that over the years,

16 12:21:06 Ripple has had many ideas with respect to what

17 12:21:09 products it might develop that would use XRP?

18 12:21:14 MR. FLUMENBAUM: Objection as to form.

19 12:21:16 THE WITNESS: Well, again, not limited

20 12:21:18 just to XRP but certainly, as a start-up company, we

21 12:21:21 have tried many products in getting to our eventual

22 12:21:26 product market fit.

23 12:21:27 BY MR. SYLVESTER:

24 12:21:27 Q. What does it take to develop those

25 12:21:30 products?

1 12:21:33 A. Generally, products in the fintech arena
2 12:21:36 take domain expertise in technology, compliance and
3 12:21:41 capital markets.
4 12:21:44 Q. When you say, "domain expertise," how does
5 12:21:48 Ripple acquire that expertise?
6 12:21:50 A. Well, generally, by hiring team members,
7 12:21:54 using outside consultants and outside partners,
8 12:22:01 generally.
9 12:22:03 Q. When evaluating whether to pursue an idea
10 12:22:09 for an application that would involve the use of
11 12:22:12 XRP, did Ripple ever come up with a budget of how
12 12:22:18 much it would cost to develop that application?
13 12:22:23 MR. FLUMENBAUM: Objection as to form.
14 12:22:23 THE WITNESS: The company certainly had
15 12:22:26 team members that were responsible for financial
16 12:22:30 planning and accounting whose job it would be to do
17 12:22:35 that.
18 12:22:37 BY MR. SYLVESTER:
19 12:22:37 Q. Okay. And is there a range of dollar
20 12:22:41 amounts that it might cost to build a particular
21 12:22:45 application that used XRP?
22 12:22:51 A. Well, I mean, that would greatly depend on
23 12:22:55 the complexity of the application that one was
24 12:22:58 planning.
25 12:22:59 Q. Sure.

1 12:22:59 Say the simplest idea that occurred to any
2 12:23:02 of the folks who worked at Ripple in the early
3 12:23:06 years, what's the ballpark of how much it would cost
4 12:23:09 from the idea stage to the
5 12:23:10 putting-the-application-on-the-market stage?
6 12:23:15 MR. FLUMENBAUM: Objection as to form.
7 12:23:16 THE WITNESS: Yeah. I think that's a very
8 12:23:19 wide range. It could involve open source components
9 12:23:22 that don't cost anything. It could involve
10 12:23:24 extremely complex technologies that would take a lot
11 12:23:28 of resources to produce.
12 12:23:30 BY MR. SYLVESTER:
13 12:23:30 Q. Okay. Is it fair to say that some of the
14 12:23:32 ideas were more expensive than others?
15 12:23:34 MR. FLUMENBAUM: Objection as to form.
16 12:23:35 THE WITNESS: Yes.
17 12:23:36 MR. FLUMENBAUM: You can answer.
18 12:23:37 BY MR. SYLVESTER:
19 12:23:37 Q. Sort of what's the outer bounds of the
20 12:23:39 most expensive idea that Ripple had in those early
21 12:23:42 years?
22 12:23:42 MR. FLUMENBAUM: Objection as to form.
23 12:23:44 You want to define "early years"?
24 12:23:46 BY MR. SYLVESTER:
25 12:23:47 Q. Sure.

1 12:23:47 Say the 2013 time frame.
2 12:23:48 A. The outer bounds of expenses? I don't
3 12:23:51 know how to answer that question. Software products
4 12:23:56 can be extremely expensive.
5 12:23:57 Q. In the millions?
6 12:23:59 A. Generally, in the tens of millions.
7 12:24:03 MR. FLUMENBAUM: Objection as to form.
8 12:24:03 THE WITNESS: Possible.
9 12:24:03 BY MR. SYLVESTER:
10 12:24:03 Q. In the hundreds of millions?
11 12:24:07 MR. FLUMENBAUM: Objection as to form.
12 12:24:08 THE WITNESS: Are you asking about general
13 12:24:09 software development programs?
14 12:24:11 BY MR. SYLVESTER:
15 12:24:11 Q. Anything that Ripple was contemplating in
16 12:24:14 the 2013 time frame with respect to developing uses
17 12:24:17 for XRP.
18 12:24:17 A. Specifically to 2013? No. I don't think
19 12:24:20 we'd be that high.
20 12:24:22 Q. Okay. Did there come a time in later
21 12:24:24 years in Ripple's history that it contemplated
22 12:24:29 creating an application using XRP that would have
23 12:24:31 been in the hundreds of millions of dollars to
24 12:24:33 develop and bring to market?
25 12:24:34 MR. FLUMENBAUM: Objection as to form.

1 12:24:35 THE WITNESS: I don't think hundreds of
2 12:24:36 millions.

3 12:24:36 BY MR. SYLVESTER:

4 12:24:36 Q. Tens of millions?

5 12:24:38 MR. FLUMENBAUM: Objection as to form.

6 12:24:39 THE WITNESS: Possible.

7 12:24:40 BY MR. SYLVESTER:

8 12:24:40 Q. At least millions?

9 12:24:42 MR. FLUMENBAUM: Objection as to form.

10 12:24:46 THE WITNESS: Possible.

11 12:24:46 BY MR. SYLVESTER:

12 12:24:48 Q. When Ripple was engaging in giveaways of

13 12:24:53 XRP, did it have an understanding of what the

14 12:24:57 recipients of the XRP would do with it?

15 12:25:03 MR. FLUMENBAUM: Objection as to form.

16 12:25:04 THE WITNESS: Sorry, could you repeat the

17 12:25:05 question, please.

18 12:25:06 MR. SYLVESTER: Kat, can you read it back?

19 12:25:07 Thank you.

20 12:25:07 (Record read by the reporter

21 12:25:07 as follows:

22 12:25:23 QUESTION: When Ripple was

23 12:25:23 engaging in giveaways of XRP, did

24 12:25:23 it have an understanding of what

25 12:25:23 the recipients of the XRP would do

1 12:25:23 with it?)

2 12:25:25 MR. FLUMENBAUM: Objection as to form.

3 12:25:32 THE WITNESS: Well, you would hope that it

4 12:25:33 would be a positive for building the ecosystem, but

5 12:25:39 other than that, it was a pretty broad idea, just

6 12:25:42 like Bitcoin's faucet or the Ethereum process of

7 12:25:46 distribution.

8 12:25:48 BY MR. SYLVESTER:

9 12:25:48 Q. Did Ripple take any steps to determine

10 12:25:50 what recipients of XRP that it gave away for free

11 12:25:55 did with the XRP?

12 12:25:57 MR. FLUMENBAUM: Objection as to form.

13 12:25:58 THE WITNESS: Most of the efforts would be

14 12:26:00 around making sure that those were not scams or

15 12:26:07 false identities or duplicative recipients of

16 12:26:14 giveaways.

17 12:26:15 BY MR. SYLVESTER:

18 12:26:15 Q. Other than those efforts, can you think of

19 12:26:18 any other efforts Ripple made in order to determine

20 12:26:20 what recipients of free XRP did with their XRP?

21 12:26:27 MR. FLUMENBAUM: Objection as to form.

22 12:26:31 THE WITNESS: I believe that there was

23 12:26:33 bounty bug campaigns as well, so those folks would

24 12:26:39 have to have caught errors in software, for example.

25 / /

1 12:26:44 BY MR. SYLVESTER:

2 12:26:44 Q. Okay. Other than what we've just

3 12:26:46 discussed, were there any other steps that Ripple

4 12:26:48 took to determine what recipients of its free XRP

5 12:26:52 did with the XRP?

6 12:26:54 MR. FLUMENBAUM: Objection as to form.

7 12:26:55 THE WITNESS: Not that I can recollect.

8 12:27:00 MR. SYLVESTER: Okay. Let's take a look

9 12:27:10 at Exhibit 7, please.

10 12:27:14 (Whereupon, Deposition Exhibit CL-7

11 12:27:19 was marked for identification.)

12 12:27:40 MR. SYLVESTER: Exhibit 7 is an email with

13 12:27:41 an attachment. It's from [REDACTED].com to

14 12:27:45 [REDACTED] ripple.com, dated January 9th, 2013.

15 12:42:21 Q. Mr. Larsen, I don't want to cut short your

16 12:42:24 reading for context, but just to let you know, I

17 12:42:26 want to ask questions on page -167, -175, and -180.

18 12:42:35 A. Okay. I'll let you know when I'm done.

19 12:45:15 Can you repeat those pages that you were

20 12:45:17 interested in, please?

21 12:45:20 Q. Sure. Let's start with -167.

22 12:45:22 A. Okay, I'm still reading, but I want -- was

23 12:45:25 that the first one?

24 12:45:27 Q. Yeah. That's the first one.

25 12:45:29 A. -167?

1 12:45:31 Q. That's right, ending -167.

2 12:45:33 A. Okay.

3 12:45:38 What was the other one?

4 12:45:41 Q. -175.

5 12:45:43 A. Okay.

6 12:45:45 Q. And -180?

7 12:45:52 A. Those three?

8 12:45:53 Q. Yeah.

9 12:45:54 A. Thank you.

10 12:45:55 THE WITNESS: Should I finish this whole

11 12:54:52 thing?

12 12:54:53 MR. FLUMENBAUM: Well, have you gone

13 12:54:54 through the pages that he wants to ask you on?

14 12:54:57 THE WITNESS: Yeah. But it looks like

15 12:54:58 there's -- this is partially a template and then

16 12:55:02 there's partially words interspersed. So I'm a

17 12:55:05 little uncomfortable not going through the whole

18 12:55:07 thing.

19 12:55:08 BY MR. SYLVESTER:

20 12:55:09 Q. Right.

21 12:55:09 I mean, I just want to ask you about the

22 12:55:13 portions that appear to be drafted by you.

23 12:55:14 I'll ask you: Did you draft them?

24 12:55:17 A. Yeah. But -- well ...

25 12:55:19 MR. FLUMENBAUM: Well, finish up.

1 12:55:21 THE WITNESS: I think I need to finish it,
2 12:55:22 because it looks like it goes back and forth between
3 12:55:26 template and --
4 12:55:27 MR. SYLVESTER: Just for the record, we've
5 12:55:28 been paused for at least ten minutes.
6 12:55:31 THE WITNESS: Okay.
7 12:55:31 MR. FLUMENBAUM: Well, you did give him a
8 12:55:33 40-page document from January of 2013, which is --
9 12:55:38 which is, as Mr. Larsen said, not something --
10 12:55:42 something that's a template, something that was
11 12:55:44 written by somebody. You're assuming it's
12 12:55:48 Mr. Larsen.
13 12:55:49 MR. SYLVESTER: I'm going to ask him --
14 12:55:50 MR. FLUMENBAUM: Well --
15 12:55:51 MR. SYLVESTER: -- at some point.
16 12:55:52 THE WITNESS: Okay. Well, you tell me.
17 12:55:54 MR. FLUMENBAUM: Look, you know, if you
18 12:55:56 have to read more to answer any of his questions,
19 12:55:59 we'll do that, but go ahead.
20 12:56:02 BY MR. SYLVESTER:
21 12:56:03 Q. Great.
22 12:56:03 So, Mr. Larsen, Exhibit 7 is an attachment
23 12:56:06 to an email you appeared to have sent yourself; is
24 12:56:09 that correct?
25 12:56:11 A. Yeah. It appears that way.

1 12:56:13 Q. Okay. On the first page of the -- well,
2 12:56:16 let's use Bates numbers.
3 12:56:19 On page ending Bates -165.
4 12:56:29 A. -165.
5 12:56:30 Okay. Yeah.
6 12:56:32 Q. Okay. Do you see it says, "Business Plan,
7 12:56:35 OpenCoin"?
8 12:56:36 A. Yes.
9 12:56:36 Q. Do you see at the bottom of the page, it
10 12:56:38 has your name, Mr. McCaleb's name and your email
11 12:56:42 address?
12 12:56:43 A. Yes.
13 12:56:43 Q. Whose phone number is that?
14 12:56:45 A. That's my cell phone.
15 12:56:46 Q. Okay. You mentioned that this document
16 12:56:50 is, in part, a template, and in part, appears to be
17 12:56:53 specific to Opencoin; is that fair?
18 12:56:59 A. It looks like it's the uncompleted draft
19 12:57:05 having to do with Opencoin.
20 12:57:07 Q. Okay. Let's start on page 167, "Executive
21 12:57:11 Summary."
22 12:57:15 Do you see that?
23 12:57:16 A. I do.
24 12:57:17 Q. Okay. Do you see the first sentence
25 12:57:19 refers to Ripple; is that right?

1 12:57:20 A. Yes.

2 12:57:20 Q. Okay. It appears to me that this -- at

3 12:57:28 least the first three paragraphs of this page

4 12:57:31 pertain to Ripple and are not a template; is that

5 12:57:35 right?

6 12:57:36 A. When you say, "Ripple," are you talking

7 12:57:37 about the decentralized ledger or are you talking

8 12:57:43 about the company as it was renamed later?

9 12:57:50 Q. I was talking about the company.

10 12:57:52 MR. FLUMENBAUM: Objection as to form.

11 12:57:54 You may answer.

12 12:57:54 THE WITNESS: Yeah, again, keep in mind

13 12:57:55 that this is a business plan of a company named

14 12:57:58 Opencoin, the name of the company before it was

15 12:58:01 changed to Ripple. And if they're talking about

16 12:58:03 Ripple in that context, then I would assume Ripple

17 12:58:08 refers to the open source distributed technology.

18 12:58:13 BY MR. SYLVESTER:

19 12:58:13 Q. Okay. The third paragraph on this page

20 12:58:16 starts, "The new currency provides."

21 12:58:19 Do you see this?

22 12:58:20 A. Yes.

23 12:58:20 Q. The whole sentence says, "The new currency

24 12:58:23 provides the business model for this company."

25 12:58:25 Is the new currency XRP?

1 12:58:29 A. Yes. But I think at that time, it was
2 12:58:31 referred to as small ripple, small letter ripple.
3 12:58:39 Q. I see. Okay.
4 12:58:41 And just to start -- strike that.
5 12:58:46 Who drafted that sentence, "The new
6 12:58:48 currency provides the business model for this
7 12:58:50 company"?
8 12:58:51 A. I don't know.
9 12:58:51 Again, this is a, obviously,
10 12:58:56 never-completed draft that looks like it was
11 12:58:58 abandoned and never used.
12 12:59:01 Q. I see.
13 12:59:02 Could it be anyone other than you or
14 12:59:04 Mr. McCaleb?
15 12:59:05 A. It's possible. It could have been other
16 12:59:07 people that were on the team.
17 12:59:13 Q. Okay. Is the statement "The new currency
18 12:59:16 provides the business model for the company"
19 12:59:17 accurate?
20 12:59:21 MR. FLUMENBAUM: Objection as to form.
21 12:59:22 Accurate as to what?
22 12:59:25 THE WITNESS: Accurate as to when as well.
23 12:59:28 BY MR. SYLVESTER:
24 12:59:28 Q. Let's situate ourselves in time. In
25 12:59:32 January of 2013.

1 12:59:33 This document says, "The new currency
2 12:59:35 provides the business model for this company."
3 12:59:39 Do you see that?
4 12:59:40 A. I do.
5 12:59:40 Q. So at this time, January 2013, did XRP
6 12:59:43 provide the business model for Opencoin?
7 12:59:46 A. I think your dates are wrong here. I
8 12:59:48 mean, this looks like I am sending this to myself
9 12:59:51 from a -- from a document that might have existed on
10 12:59:54 a computer for a long time.
11 12:59:57 So I don't know when this was written,
12 12:59:59 when this incomplete draft was completed, when this
13 01:00:02 statement was completed. So it's hard for me to
14 01:00:06 comment on an uncompleted document.
15 01:00:08 Q. Let's divorce ourselves from the document.
16 01:00:10 Has XRP ever provided the business model
17 01:00:12 for Ripple?
18 01:00:14 A. I think we've stated in other investor
19 01:00:17 presentations that we would use XRP for operations.
20 01:00:25 Q. When you say that Ripple would use XRP for
21 01:00:29 operations, what does that mean?
22 01:00:31 A. That we would -- in some early
23 01:00:37 presentations to investors in Ripple, the company,
24 01:00:40 the currency that we owned could be used to pay for
25 01:00:45 operations, we have said that, in addition to

1 01:00:50 opportunities for software revenue, for example.
2 01:00:54 Q. I see. So sales of XRP could be used to
3 01:00:56 pay for operations?
4 01:00:58 A. That we could use the currency that was on
5 01:01:01 our -- that we owned for operations, yes.
6 01:01:05 Q. Okay. And just to make sure that we're
7 01:01:07 both talking about the same thing, the currency that
8 01:01:11 Ripple owned is XRP?
9 01:01:14 A. Correct.
10 01:01:31 Q. And why did you need -- sorry -- strike
11 01:01:33 that.
12 01:01:33 Why did Ripple need to convert the XRP to
13 01:01:40 US dollars in sales in order to fund its operations?
14 01:01:45 MR. FLUMENBAUM: Objection as to form.
15 01:01:49 What are you talking about in terms of
16 01:01:51 timing?
17 01:01:52 BY MR. SYLVESTER:
18 01:01:53 Q. Well, you said -- so, Mr. Larsen said, I
19 01:01:55 think, that part of Ripple's plan was to sell XRP to
20 01:02:03 fund operations. Is that fair?
21 01:02:09 A. In the early days of the company, we had
22 01:02:15 presented to investors in the company that we could
23 01:02:19 use the currency that we owned for operations. We
24 01:02:27 didn't have to, but we could.
25 01:02:30 Q. Right.

1 01:02:30 And in order to use XRP to pay for
2 01:02:35 operations, did Ripple sell XRP?
3 01:02:40 MR. FLUMENBAUM: Objection as to form.
4 01:02:43 THE WITNESS: So we could certainly use
5 01:02:46 the currency to pay for operations, to the extent
6 01:02:51 that that would be accepted, which it was from time
7 01:02:54 to time.
8 01:02:56 Of course, we have to pay taxes on that,
9 01:02:58 so converting it into the currency that the
10 01:03:03 organization pays taxes in is always going to be a
11 01:03:06 more efficient process.
12 01:03:12 BY MR. SYLVESTER:
13 01:03:12 Q. Okay. You said Ripple paid -- used XRP to
14 01:03:17 pay for its operations from time to time?
15 01:03:20 A. We could.
16 01:03:21 Q. Did it?
17 01:03:23 A. From time to time, yes.
18 01:03:26 Q. Okay. Did Ripple also use U.S. dollars to
19 01:03:29 pay for its operations?
20 01:03:33 A. Are you asking U.S. dollars tied to the
21 01:03:35 sales of XRP?
22 01:03:37 Q. No. Just U.S. dollars generally.
23 01:03:42 A. Well, you know, the functional currency of
24 01:03:46 the country we operate in is U.S. dollars, right,
25 01:03:49 so ...

1 01:03:50 Q. Sure.

2 01:03:50 But, you know, my question is, did you --

3 01:03:53 Ripple had certain expenses as a business, correct?

4 01:03:56 A. Yes.

5 01:03:56 Q. Had to pay employees?

6 01:03:58 A. Correct.

7 01:03:58 Q. Had to lease a building?

8 01:04:01 A. Yes.

9 01:04:02 Q. Okay. So did Ripple pay for any of its

10 01:04:07 business expenses using XRP, transferring XRP to pay

11 01:04:12 for those expenses?

12 01:04:13 A. Yes.

13 01:04:15 Q. Okay. Did Ripple also pay for some of its

14 01:04:18 expenses using U.S. dollars?

15 01:04:20 A. Yes.

16 01:04:22 Q. Okay. What percentage of Ripple's

17 01:04:25 expenses were paid for using XRP versus U.S.

18 01:04:28 dollars?

19 01:04:29 A. I don't have that exact number.

20 01:04:31 Q. Was it less than 5 percent?

21 01:04:36 MR. FLUMENBAUM: Objection as to form.

22 01:04:36 THE WITNESS: What period are you talking

23 01:04:37 about?

24 01:04:38 BY MR. SYLVESTER:

25 01:04:38 Q. Let's start with 2013.

1 01:04:44 A. No. That -- 2013, it must be much more
2 01:04:48 than that. I don't have those numbers handy. But,
3 01:04:54 obviously, we raised venture capital money, seed
4 01:04:57 money, for the company.

5 01:05:00 Q. Okay. What Ripple operations were paid
6 01:05:06 for with XRP?

7 01:05:10 MR. FLUMENBAUM: Objection as to form.

8 01:05:14 THE WITNESS: After it was clear that you
9 01:05:17 could start paying employees with cryptocurrency, as
10 01:05:23 was -- eventually became fairly common in the
11 01:05:28 industry and was not going to get on the wrong side
12 01:05:31 of, you know, employee protection laws, many
13 01:05:39 employees and consultants would accept
14 01:05:41 cryptocurrencies for payment.

15 01:05:42 BY MR. SYLVESTER:

16 01:05:42 Q. Did Ripple also pay employees using U.S.
17 01:05:45 dollars?

18 01:05:46 A. Yes.

19 01:05:47 Q. What percentage of total salaries paid was
20 01:05:51 XRP versus U.S. dollars?

21 01:05:56 MR. FLUMENBAUM: Objection as to form.

22 01:05:56 THE WITNESS: Yeah. What period? 2013
23 01:05:59 again?

24 01:06:00 BY MR. SYLVESTER:

25 01:06:00 Q. Sure.

1 01:06:00 A. I don't -- I don't have that number with

2 01:06:02 me.

3 01:06:04 Q. Do you have an understanding of -- for the

4 01:06:06 period of time that you were CEO, what percentage of

5 01:06:10 employees' salaries were paid in XRP versus U.S.

6 01:06:12 dollars?

7 01:06:14 A. I don't have that number handy.

8 01:06:18 Q. Okay. Are there other business expenses

9 01:06:23 that Ripple paid for using XRP, other than employee

10 01:06:29 salaries?

11 01:06:29 A. I believe so.

12 01:06:30 Q. What are those?

13 01:06:33 A. I believe there were some ISPs that

14 01:06:37 accepted payment in XRP that we could utilize.

15 01:06:41 There was some law firms, for example, consulting

16 01:06:45 firms. Yeah. It would vary.

17 01:06:49 Q. How much XRP in total has Ripple spent

18 01:06:53 paying ISPs over the years?

19 01:06:55 MR. FLUMENBAUM: Objection as to form.

20 01:06:57 THE WITNESS: I don't have that number.

21 01:06:59 BY MR. SYLVESTER:

22 01:06:59 Q. Do -- have all of Ripple's ISPs accepted

23 01:07:07 XRP as payment over the years?

24 01:07:09 MR. FLUMENBAUM: Objection as to form.

25 01:07:10 THE WITNESS: Are you asking are -- do all

1 01:07:12 ISP vendors accept XRP?

2 01:07:15 BY MR. SYLVESTER:

3 01:07:15 Q. That Ripple used.

4 01:07:18 MR. FLUMENBAUM: Objection as to form.

5 01:07:18 THE WITNESS: To the best of my

6 01:07:23 recollection, no.

7 01:07:23 BY MR. SYLVESTER:

8 01:07:23 Q. Does Ripple typically pay its ISPs in XRP?

9 01:07:28 MR. FLUMENBAUM: Objection as to form.

10 01:07:29 THE WITNESS: In the early days, that was

11 01:07:36 a very common practice.

12 01:07:39 BY MR. SYLVESTER:

13 01:07:39 Q. Did there come a time when it was no

14 01:07:42 longer the common practice?

15 01:07:46 MR. FLUMENBAUM: Objection as to form.

16 01:07:47 THE WITNESS: Well, we were a smaller

17 01:07:48 company back then, so ...

18 01:07:51 BY MR. SYLVESTER:

19 01:07:51 Q. Does Ripple pay its ISPs in U.S. dollars

20 01:07:57 now?

21 01:07:58 MR. FLUMENBAUM: Objection as to form.

22 01:07:58 You want to limit your question to 2020?

23 01:08:00 Hold on. Hold on. Hold on.

24 01:08:05 I thought discovery --

25 01:08:07 MR. SYLVESTER: Sure. Fine.

1 01:08:09 THE WITNESS: I'm sorry, what's the
2 01:08:10 question, please?
3 01:08:10 BY MR. SYLVESTER:
4 01:08:10 Q. Did Ripple pay its ISPs in U.S. dollars in
5 01:08:15 2020?
6 01:08:16 A. Not that I'm aware of.
7 01:08:17 Q. You think it paid in XRP?
8 01:08:20 A. Oh, I'm sorry, apologies.
9 01:08:21 Can you ask the question again, please.
10 01:08:23 Q. Sure.
11 01:08:23 In 2020, did Ripple pay its ISPs with XRP?
12 01:08:27 A. Not that I can recollect.
13 01:08:28 Q. Okay. You also mentioned law firms.
14 01:08:31 A. Yes.
15 01:08:31 Q. Which law firms accepted XRP as payment?
16 01:08:38 A. Perkins Coie did in the early days, Paul
17 01:08:42 Hastings.
18 01:08:46 There's probably others I can't remember.
19 01:08:49 Q. Ripple has had a number of other law firms
20 01:08:51 from which it obtained services over the years?
21 01:08:54 A. We've used a number of law firms over the
22 01:08:56 years.
23 01:08:57 Q. Any of those other law firms accept XRP as
24 01:09:02 payment?
25 01:09:04 A. I can't recollect which other law firms.

1 01:09:08 Q. Other than employees, ISPs and law firms,
2 01:09:10 are there any other expenses of Ripple's that Ripple
3 01:09:13 has paid for directly using XRP?
4 01:09:16 A. Sure there were. I can't recollect
5 01:09:20 exactly what those are.
6 01:09:32 Q. Do you have a sense of how much Ripple has
7 01:09:34 paid in U.S. taxes over the years?
8 01:09:37 MR. FLUMENBAUM: Objection as to form.
9 01:09:38 THE WITNESS: I don't have the exact
10 01:09:39 number.
11 01:09:39 BY MR. SYLVESTER:
12 01:09:39 Q. Like a ballpark, was it in the millions,
13 01:09:44 hundreds of thousands?
14 01:09:45 Let's with start 2013.
15 01:09:49 MR. FLUMENBAUM: Objection as to form.
16 01:09:49 THE WITNESS: To the best of my
17 01:09:50 understanding, it was in the [REDACTED].
18 01:09:52 BY MR. SYLVESTER:
19 01:09:52 Q. [REDACTED] Okay.
20 01:09:57 When Ripple paid -- strike that.
21 01:10:05 When Ripple paid its employee salary in
22 01:10:08 XRP, where is that documented, if anywhere?
23 01:10:11 MR. FLUMENBAUM: Objection as to form.
24 01:10:14 THE WITNESS: I'm sure that would be
25 01:10:16 documented in our income statements --

1 01:10:19 BY MR. SYLVESTER:
2 01:10:19 Q. Okay.
3 01:10:19 A. -- and employee records, obviously.
4 01:10:22 Q. How about payments to ISPs in XRP; where
5 01:10:25 is that documented?
6 01:10:28 MR. FLUMENBAUM: Objection as to form.
7 01:10:28 THE WITNESS: I'm sure that would be in
8 01:10:30 our income and expense statements.
9 01:10:36 BY MR. SYLVESTER:
10 01:10:36 Q. And how about XRP payments to law firms;
11 01:10:39 where is that documented, if anywhere?
12 01:10:42 MR. FLUMENBAUM: Objection as to form.
13 01:10:42 THE WITNESS: That should be in our income
14 01:10:44 and expense statements as well.
15 01:10:46 BY MR. SYLVESTER:
16 01:10:46 Q. Let's look at -175, please.
17 01:11:23 It's the bottom of page -175. Do you see
18 01:11:25 where it says, "Dedicated Team."
19 01:11:28 A. Yes.
20 01:11:28 Q. Okay. So dedicated team -- strike that.
21 01:11:31 After "Dedicated Team," it says:
22 01:11:33 "This is probably our most
23 01:11:36 important advantage. Bitcoin is an
24 01:11:37 open source project without anyone
25 01:11:39 leading it. Opencoin while also

1 01:11:41 open source will have a
2 01:11:42 professional team of developers and
3 01:11:43 businesspeople behind it. They
4 01:11:45 will be responsible for driving
5 01:11:46 adoption, marketing and ensuring
6 01:11:48 the system is constantly
7 01:11:50 improving."
8 01:11:51 Do you see that?
9 01:11:52 A. I do.
10 01:11:52 Q. Is that team of developers and
11 01:11:56 businesspeople a reference to Ripple?
12 01:11:59 A. It's a reference to people that would be
13 01:12:02 working on the core development. That could be
14 01:12:06 inside or outside Ripple.
15 01:12:09 Q. The core development of what?
16 01:12:12 A. Of the open source protocol.
17 01:12:14 Q. Okay. Has Ripple been responsible for
18 01:12:21 driving adoption of XRP over the years?
19 01:12:28 A. No. I mean, Ripple -- XRP is a large
20 01:12:33 global marketplace. It's tied to the overall
21 01:12:37 cryptocurrency markets, such as Bitcoin, and then
22 01:12:43 later, Ethereum.
23 01:12:44 I should also point out -- you're still on
24 01:12:48 -175?
25 01:12:51 Q. Yes.

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1 01:12:52 A. While we talk about the team of developers
2 01:12:55 and that Bitcoin not having one, by 2013, Bitcoin
3 01:13:02 had a group of core developers --
4 01:13:06 Q. Oh, I see.
5 01:13:07 A. -- through the Bitcoin foundation.
6 01:13:11 Whether or not that was professional or
7 01:13:13 not is a different matter. But that's quite a
8 01:13:20 powerful group of developers.
9 01:13:21 Q. In 2013, did Ripple have developers that
10 01:13:26 were working on projects related to XRP?
11 01:13:29 A. We contribute code. That code has to be
12 01:13:32 adopted by the majority of the validators that we
13 01:13:35 don't control.
14 01:13:37 Q. Throughout the time you've been with
15 01:13:38 Ripple, has Ripple had developers that worked on
16 01:13:41 projects related to XRP?
17 01:13:46 A. Working on applications, and if we can
18 01:13:50 contribute constructive code to the protocol, we'll
19 01:13:58 participate in that, as anybody can in the entire
20 01:14:01 world.
21 01:14:01 But mostly, I think the way to look at all
22 01:14:04 of these ledgers is once they function, the
23 01:14:12 overwhelming part of the technology is complete.
24 01:14:15 Code changes tend to be very minor going forward,
25 01:14:19 whether that be Bitcoin or the XRP Ledger.

1 01:14:24 Q. Setting the Ledger aside, has Ripple had
2 01:14:27 employees that were working on other applications
3 01:14:29 related to XRP?

4 01:14:34 MR. FLUMENBAUM: Objection as to form.

5 01:14:35 THE WITNESS: I'm sorry, can you repeat
6 01:14:36 the question again?

7 01:14:38 BY MR. SYLVESTER:

8 01:14:38 Q. Sure.

9 01:14:38 Setting aside contributions to the code
10 01:14:41 underlying the XRP Ledger, has Ripple had developers
11 01:14:45 who worked on applications related to XRP?

12 01:14:49 MR. FLUMENBAUM: Objection as to form.

13 01:14:50 Asked and answered.

14 01:14:51 Go ahead.

15 01:14:52 THE WITNESS: We've had developers that
16 01:14:53 are working on code like RippleNet that don't touch
17 01:14:57 the XRP Ledger, as well as developers working on
18 01:15:03 code that does touch XRP, such as the On-Demand
19 01:15:11 Liquidity product.

20 01:15:14 BY MR. SYLVESTER:

21 01:15:14 Q. Okay.

22 01:15:14 Has Ripple had developers working on
23 01:15:18 developing applications related to blockchain
24 01:15:21 throughout its existence?

25 01:15:23 MR. FLUMENBAUM: Objection as to form.

1 01:15:24 THE WITNESS: When you're saying,
2 01:15:24 "blockchain," you're talking about the wider
3 01:15:28 cryptocurrency industry?
4 01:15:29 BY MR. SYLVESTER:
5 01:15:29 Q. Any blockchain technology, yeah.
6 01:15:32 MR. FLUMENBAUM: Objection as to form.
7 01:15:35 THE WITNESS: Yes. Products such as --
8 01:15:38 sorry -- ILP, Interledger Protocol, is a universal
9 01:15:43 interoperability protocol that's currency-agnostic,
10 01:15:50 Ledger-agnostic and coding-language agnostic.
11 01:15:54 BY MR. SYLVESTER:
12 01:15:54 Q. Okay.
13 01:15:54 Has Ripple taken steps to encourage the
14 01:16:02 adoption of XRP?
15 01:16:04 MR. FLUMENBAUM: Objection as to form.
16 01:16:07 THE WITNESS: As I mentioned before,
17 01:16:08 Ripple is focused on liquidity, utility and trust
18 01:16:14 within the ecosystem. We think that's very
19 01:16:20 important.
20 01:16:20 BY MR. SYLVESTER:
21 01:16:20 Q. Liquidity, utility and trust with respect
22 01:16:24 to XRP; is that right?
23 01:16:25 MR. FLUMENBAUM: Objection as to form.
24 01:16:26 THE WITNESS: Not just XRP, but also, as a
25 01:16:28 participant in the wider cryptocurrency industry,

1 01:16:32 given that we are, especially now, focused on
2 01:16:36 enterprise customers that have a very high degree of
3 01:16:42 compliance requirements.

4 01:16:44 BY MR. SYLVESTER:

5 01:16:44 Q. Okay. Has Ripple taken steps to market

6 01:16:48 XRP?

7 01:16:49 MR. FLUMENBAUM: Objection as to form.

8 01:16:50 THE WITNESS: We have taken steps to

9 01:16:53 educate participants both inside and outside of the

10 01:16:59 cryptocurrency markets, including regulators, about

11 01:17:03 how these technologies function, and also, any

12 01:17:10 misinformation that other ecosystems might try to

13 01:17:17 throw out there to misinform the public.

14 01:17:22 BY MR. SYLVESTER:

15 01:17:22 Q. Misinformation about XRP?

16 01:17:25 MR. FLUMENBAUM: Objection as to form.

17 01:17:26 THE WITNESS: Misinformation about Ripple,

18 01:17:28 the company.

19 01:17:28 BY MR. SYLVESTER:

20 01:17:28 Q. I see.

21 01:17:30 And Ripple takes steps to try to correct

22 01:17:33 any misinformation about Ripple, the company?

23 01:17:36 MR. FLUMENBAUM: Objection as to form.

24 01:17:39 THE WITNESS: Yes.

25 / /

1 01:17:39 BY MR. SYLVESTER:

2 01:17:39 Q. Has Ripple taken steps to correct any

3 01:17:41 misinformation about XRP?

4 01:17:43 MR. FLUMENBAUM: Objection as to form.

5 01:17:43 THE WITNESS: We have taken steps to

6 01:17:44 correct misinformation about Ripple, the company,

7 01:17:49 controlling XRP Ledger, which is, obviously,

8 01:17:55 misinformation.

9 01:17:58 BY MR. SYLVESTER:

10 01:17:58 Q. Did Ripple prepare financial statements

11 01:18:00 during the time you were CEO?

12 01:18:02 A. Yes.

13 01:18:04 Q. Okay. And has Ripple prepared financial

14 01:18:06 statements between the time that you left your

15 01:18:09 position as CEO and 2020?

16 01:18:11 A. Yes.

17 01:18:12 Q. Okay. Were those financial statements

18 01:18:15 always reviewed by auditors?

19 01:18:19 A. Are you talking about from the founding of

20 01:18:21 the company?

21 01:18:22 Q. From 2013 through 2020.

22 01:18:26 MR. FLUMENBAUM: Objection as to form.

23 01:18:27 You may answer.

24 01:18:28 THE WITNESS: Yes, I believe in the

25 01:18:29 earliest year, though, not in that calendar year,

1 01:18:37 but then we went back and had an auditor rereview

2 01:18:42 and then since then, we've had it consistently.

3 01:18:47 BY MR. SYLVESTER:

4 01:18:47 Q. Was it important to you that Ripple

5 01:18:49 provide accurate information to its auditors?

6 01:18:53 MR. FLUMENBAUM: Objection as to form.

7 01:18:54 THE WITNESS: Yes.

8 01:18:54 BY MR. SYLVESTER:

9 01:18:54 Q. Is there any reason to believe that

10 01:18:59 there's anything in Ripple's audited financial

11 01:19:01 statements that's inaccurate?

12 01:19:04 MR. FLUMENBAUM: Objection as to form.

13 01:19:06 You want to show somebody a document?

14 01:19:08 BY MR. SYLVESTER:

15 01:19:08 Q. Just sitting here today, is there anything

16 01:19:10 to believe that there's anything in Ripple's audited

17 01:19:13 financial statements that's inaccurate?

18 01:19:15 MR. FLUMENBAUM: Objection as to form.

19 01:19:15 THE WITNESS: I think the standard from an

20 01:19:17 auditor would be that there's no material

21 01:19:20 inaccuracies in your audited statement.

22 01:19:23 I'm sure an auditor would always find

23 01:19:27 maybe an entry that might have to be corrected. I

24 01:19:29 think the standard is material deficiencies.

25 / /

1 01:19:32 BY MR. SYLVESTER:

2 01:19:32 Q. Okay. Understanding that, is there

3 01:19:34 anything, sitting here today, that you're aware of

4 01:19:37 that's materially inaccurate in any of Ripple's

5 01:19:41 financial statements?

6 01:19:42 MR. FLUMENBAUM: Objection as to form.

7 01:19:42 THE WITNESS: To the best of my knowledge,

8 01:19:43 no.

9 01:19:43 BY MR. SYLVESTER:

10 01:19:43 Q. You applied for a trademark for XRP on

11 01:19:46 behalf of Ripple?

12 01:19:48 MR. FLUMENBAUM: Objection as to form.

13 01:19:48 THE WITNESS: Yes.

14 01:19:49 BY MR. SYLVESTER:

15 01:19:49 Q. Okay. Why did you do that?

16 01:19:53 A. When we purchased the URL ripple.com, that

17 01:20:01 was the right to the URL. The trademark of Ripple

18 01:20:05 needed to be defended. There was many different

19 01:20:13 organizations using that name.

20 01:20:18 Q. Did you also apply for a trademark for the

21 01:20:21 mark "XRP"?

22 01:20:23 MR. FLUMENBAUM: Objection as to form.

23 01:20:24 You may answer.

24 01:20:25 THE WITNESS: We did.

25 / /

1 01:20:26 BY MR. SYLVESTER:

2 01:20:26 Q. Okay. And why did you apply for a

3 01:20:30 trademark for the mark "XRP"?

4 01:20:32 A. It's important to protect that so that

5 01:20:37 scammers don't try to control that name and then

6 01:20:41 misuse it in a way that would be fraudulent,

7 01:20:45 misrepresenting, abusing consumers. You try to

8 01:20:50 protect it and essentially, like an open source

9 01:20:53 license, it's open, but under that permissible

10 01:20:59 license.

11 01:21:01 Q. Okay. Just a yes-or-no question.

12 01:21:03 Did you seek legal advice in connection

13 01:21:06 with applying for a trademark for XRP?

14 01:21:09 MR. FLUMENBAUM: Objection as to form.

15 01:21:13 You can answer the last part of what he

16 01:21:14 asked you for. He just -- if it doesn't discuss any

17 01:21:22 legal discussions.

18 01:21:23 THE WITNESS: Could you repeat the

19 01:21:24 question, please?

20 01:21:25 MR. SYLVESTER: Kat, do you mind reading

21 01:21:26 it back?

22 01:21:27 (Record read by the reporter

23 01:21:27 as follows:

24 01:21:34 QUESTION: Did you seek legal

25 01:21:34 advice in connection with applying

1 01:21:34 for a trademark for XRP?)

2 01:21:38 THE WITNESS: To the best of my knowledge,

3 01:21:38 yes.

4 01:21:39 BY MR. SYLVESTER:

5 01:21:39 Q. Did Ripple obtain a trademark for XRP?

6 01:21:43 A. I actually -- I can't recollect whether we

7 01:21:47 did or didn't.

8 01:21:51 Q. Ripple started selling XRP in March of

9 01:21:53 2013; is that right?

10 01:21:56 MR. FLUMENBAUM: Objection as to form.

11 01:22:00 THE WITNESS: I believe that began in the

12 01:22:02 first half of 2013.

13 01:22:04 BY MR. SYLVESTER:

14 01:22:04 Q. Okay. Did you have any role in the

15 01:22:06 decision for Ripple to begin selling XRP in the

16 01:22:09 first half of 2013?

17 01:22:12 MR. FLUMENBAUM: Objection as to form.

18 01:22:12 THE WITNESS: As the CEO, yes, I would

19 01:22:17 have to approve that.

20 01:22:23 BY MR. SYLVESTER:

21 01:22:23 Q. Okay. Did you as CEO have the final

22 01:22:26 authority to decide how much XRP Ripple would sell

23 01:22:29 in the 2013 time frame?

24 01:22:31 MR. FLUMENBAUM: Objection as to form.

25 01:22:36 THE WITNESS: Well, no, not in the context

1 01:22:38 of sort of absolute authority. That would have had
2 01:22:46 to have been a discussion, depending on the amount,
3 01:22:49 with -- with the board.

4 01:22:53 BY MR. SYLVESTER:

5 01:22:53 Q. Okay. In the 2013 time frame, would you
6 01:22:55 have had to approve the amount of sales?

7 01:23:00 MR. FLUMENBAUM: Objection as to form.

8 01:23:01 THE WITNESS: As a CEO, I would have had
9 01:23:04 to have approved a transaction or have delegated it
10 01:23:09 to a team member with proper authority to do that,
11 01:23:15 or taken it to the board if it was significant
12 01:23:18 enough.

13 01:23:20 BY MR. SYLVESTER:

14 01:23:20 Q. Okay. As CEO, did you have the authority
15 01:23:22 to decide whether Ripple would sell XRP to any
16 01:23:27 particular individual or entity?

17 01:23:29 MR. FLUMENBAUM: Objection. Objection as
18 01:23:33 to form.

19 01:23:34 THE WITNESS: Can you repeat the question,
20 01:23:35 please.

21 01:23:35 MR. SYLVESTER: Kat, will you read that
22 01:23:37 one back, too.

23 01:23:38 (Record read by the reporter
24 01:23:38 as follows:

25 01:23:47 QUESTION: As CEO, did you

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1 01:23:47 have the authority to decide

2 01:23:47 whether Ripple would sell XRP to

3 01:23:47 any particular individual or

4 01:23:47 entity?)

5 01:23:49 THE WITNESS: I would have -- as CEO, I

6 01:23:51 would have had authority, subject to, obviously,

7 01:23:55 compliance regulations around money transmission and

8 01:24:00 expenditure authority to the board.

9 01:24:06 BY MR. SYLVESTER:

10 01:24:06 Q. In that 2013 time frame, did you approve

11 01:24:09 sales of XRP?

12 01:24:11 MR. FLUMENBAUM: Objection as to form.

13 01:24:12 THE WITNESS: I don't recall exact

14 01:24:14 approvals of transactions.

15 01:24:16 BY MR. SYLVESTER:

16 01:24:16 Q. Understanding you don't recall exact

17 01:24:22 approvals of transactions, do you generally recall

18 01:24:25 approving the sales of XRP in 2013?

19 01:24:29 MR. FLUMENBAUM: Objection as to form.

20 01:24:30 THE WITNESS: Generally, as I mentioned, I

21 01:24:31 believe our sales began in the first half of 2013.

22 01:24:34 As CEO, I would have had to have been -- I

23 01:24:37 would have approved of it -- of those transactions.

24 01:24:40 BY MR. SYLVESTER:

25 01:24:40 Q. Okay. In 2013, did you have any

1 01:24:43 understanding for what purpose purchasers of XRP

2 01:24:47 from Ripple were purchasing their XRP?

3 01:24:52 MR. FLUMENBAUM: Objection as to form.

4 01:24:52 THE WITNESS: My understanding is that

5 01:24:54 those sales would have been to market makers or

6 01:24:59 exchanges.

7 01:25:00 BY MR. SYLVESTER:

8 01:25:00 Q. What's the basis of that understanding?

9 01:25:03 A. That's my recollection.

10 01:25:12 Q. Again, focusing just on the 2013 time

11 01:25:14 frame, what's your understanding of what the market

12 01:25:17 makers who purchased XRP from Ripple then did with

13 01:25:21 the XRP?

14 01:25:23 MR. FLUMENBAUM: Objection as to form.

15 01:25:24 You may answer.

16 01:25:25 THE WITNESS: It's up to, obviously, those

17 01:25:27 institutions, and that's -- and thank you, that's a

18 01:25:32 clearer question than -- than before we broke.

19 01:25:35 But if there was an exchange, that could

20 01:25:40 be to people that were participating in the

21 01:25:43 cryptocurrency markets. That could be institutions

22 01:25:49 that were looking to participate in the

23 01:25:53 cryptocurrency markets. It really depends on the

24 01:25:55 model.

25 / /

1 01:25:56 BY MR. SYLVESTER:

2 01:25:56 Q. When you say, "participate in the

3 01:25:58 cryptocurrency markets," what does that mean?

4 01:26:01 MR. FLUMENBAUM: Objection as to form.

5 01:26:03 THE WITNESS: Just that, is to buy or

6 01:26:07 sell, if you're an exchange, I would assume,

7 01:26:10 cryptocurrencies, as you would Bitcoin or any of the

8 01:26:13 other cryptocurrencies in the market.

9 01:26:25 BY MR. SYLVESTER:

10 01:26:25 Q. Okay. In the 2013 time frame, did you

11 01:26:28 take any steps to determine why the

12 01:26:34 purchasers -- strike that.

13 01:26:37 In 2013, did you take any steps to

14 01:26:40 determine what the ultimate purchasers of XRP that

15 01:26:43 Ripple sold to market makers did with their XRP?

16 01:26:49 MR. FLUMENBAUM: Objection.

17 01:26:49 I think you mangled that question. You

18 01:26:54 want to revise it?

19 01:26:56 BY MR. SYLVESTER:

20 01:26:57 Q. Did you understand, Mr. Larsen?

21 01:26:58 A. Yes, I heard you, but I just want to ...

22 01:27:18 MR. FLUMENBAUM: You want to repeat the

23 01:27:19 question?

24 01:27:19 BY MR. SYLVESTER:

25 01:27:20 Q. Did you understand?

1 01:27:21 If you don't, I'll rephrase. If you
2 01:27:23 understand, you can answer.
3 01:27:25 A. Yes. I understood, but can you repeat it
4 01:27:27 just for the record?
5 01:27:28 MR. SYLVESTER: This is going to be
6 01:27:29 painful, but, Kat, will you repeat that one, too?
7 01:27:32 (Record read by the reporter
8 01:27:32 as follows:
9 01:27:47 QUESTION: In 2013, did you
10 01:27:47 take any steps to determine what
11 01:27:47 the ultimate purchasers of XRP
12 01:27:47 that Ripple sold to market makers
13 01:27:47 did with their XRP?)
14 01:27:49 MR. FLUMENBAUM: Objection as to form,
15 01:27:51 again.
16 01:27:51 THE WITNESS: So yes, in the context of
17 01:27:54 appropriate compliance.
18 01:27:55 Very importantly, I think by then, you
19 01:28:00 already had guidance from FinCEN, a part of
20 01:28:06 Treasury, on guidance for virtual currencies. So
21 01:28:13 you would have to ensure proper AML and KYC and that
22 01:28:20 they weren't being used for illegal purposes.
23 01:28:22 BY MR. SYLVESTER:
24 01:28:22 Q. Setting aside uses for illegal purposes,
25 01:28:27 did you have an understanding what the ultimate

1 01:28:29 purchasers of XRP were going to do with their XRP?

2 01:28:32 MR. FLUMENBAUM: Objection as to form.

3 01:28:33 THE WITNESS: As long as the purpose was a

4 01:28:34 legal purpose, then that was really the -- the

5 01:28:38 standard that we followed.

6 01:28:45 BY MR. SYLVESTER:

7 01:28:45 Q. So outside of ensuring that the purpose

8 01:28:49 was a legal purpose, did Ripple know what the

9 01:28:52 ultimate purchasers did with their XRP?

10 01:28:54 MR. FLUMENBAUM: Objection as to form.

11 01:28:55 THE WITNESS: No. As I said, I think

12 01:28:56 standard is that it's a legal purpose, and that it

13 01:29:00 was going to be consistent with FinCEN's guidance.

14 01:29:05 BY MR. SYLVESTER:

15 01:29:05 Q. Is a speculative purpose a legal purpose?

16 01:29:09 MR. FLUMENBAUM: Objection as to form.

17 01:29:10 THE WITNESS: When you say, "speculative,"

18 01:29:12 what -- what kind of speculation are we referring

19 01:29:15 to?

20 01:29:15 BY MR. SYLVESTER:

21 01:29:15 Q. Is the purchase of XRP with the hope that

22 01:29:17 the price rise -- rises, is that a legal purpose?

23 01:29:22 MR. FLUMENBAUM: Objection as to form.

24 01:29:22 THE WITNESS: In the currency markets,

25 01:29:25 most currency experts, currency regulators would

1 01:29:29 look at healthy markets to have appropriate
2 01:29:34 liquidity. A lot of that liquidity is important
3 01:29:38 from institutional speculation in markets. I think
4 01:29:42 everybody agrees that that's a key component of
5 01:29:45 efficient currency markets globally.
6 01:29:54 I think, further -- if it's okay?
7 01:29:57 BY MR. SYLVESTER:
8 01:29:57 Q. Go ahead. No, finish your answer, by all
9 01:30:00 means.
10 01:30:00 A. We've been very clear on this, the kind of
11 01:30:02 speculation that's not good is that sort of day
12 01:30:05 trading consumer speculation. We have -- I think we
13 01:30:11 have been very clear that's not healthy speculation,
14 01:30:14 but institutional speculation as part of a healthy
15 01:30:18 currency or commodity market is what most regulators
16 01:30:21 and market participants would look at as healthy.
17 01:30:26 Q. You're qualifying speculation with the
18 01:30:27 word "institutional."
19 01:30:29 What is institutional speculation?
20 01:30:31 A. We would look at that as sort of a
21 01:30:36 long-term almost -- and you could argue store of
22 01:30:40 value is essentially long-term speculating that a
23 01:30:44 currency or commodity that you hold will have more
24 01:30:51 value vis-a-vis another currency or commodity that
25 01:30:57 you might hold.

1 01:30:59 Q. Was Ripple aware in 2013 that certain of
2 01:31:02 its purchasers were purchasing XRP for long-term
3 01:31:08 speculation purposes?
4 01:31:10 MR. FLUMENBAUM: Objection as to form.
5 01:31:16 THE WITNESS: We would hope so, and we
6 01:31:18 believe so. It's very hard to tell, though.
7 01:31:38 MR. SYLVESTER: Okay. Let's look at
8 01:31:39 Exhibit 86, please.
9 01:31:40 (Whereupon, Deposition Exhibit CL-86
10 01:31:42 was marked for identification.)
11 01:31:43 THE WITNESS: Sorry, that's 186 in here?
12 01:31:45 MR. SYLVESTER: No. Next exhibit,
13 01:31:46 eight-six.
14 01:32:26 For the record, this is a thread of emails
15 01:32:30 among Miguel Vias, Mr. Larsen, Brad Garlinghouse,
16 01:32:38 and an individual with a Gmail.com domain address,
17 01:32:47 dated February 18th, 2017.
18 01:33:21 MR. FLUMENBAUM: Just so the record's
19 01:33:23 clear, the emails are not on -- just on
20 01:33:26 February 18th. They go back earlier to
21 01:33:29 February 6th, as far as I can see. So it's a
22 01:33:33 chain of emails from February 6th to
23 01:33:35 February 18th.
24 01:33:37 MR. SYLVESTER: That's right.
25 01:33:48 THE WITNESS: Okay.

1 01:37:57 BY MR. SYLVESTER:

2 01:37:57 Q. Okay. On page -049, it appears that an

3 01:38:06 individual with email address identifying him as

4 01:38:10 [REDACTED] wrote to you. Is that right?

5 01:38:13 A. Yes, I believe so.

6 01:38:14 Q. Mr. [REDACTED] identifies himself as an early

7 01:38:16 investor in XRP; is that right?

8 01:38:21 A. Early participant, yes.

9 01:38:23 Q. I'm reading the first sentence. "Would

10 01:38:25 like to say I'm an early investor in XRP."

11 01:38:28 Do you see that?

12 01:38:28 A. I see that.

13 01:38:29 Q. Okay. Was Mr. [REDACTED] an institutional

14 01:38:32 investor?

15 01:38:33 MR. FLUMENBAUM: Objection. Objection as

16 01:38:34 to form.

17 01:38:40 THE WITNESS: I don't know.

18 01:38:40 BY MR. SYLVESTER:

19 01:38:40 Q. Is there anything about Mr. [REDACTED] email

20 01:38:43 to you that suggests that he purchases XRP in an

21 01:38:46 institutional capacity?

22 01:38:49 MR. FLUMENBAUM: Objection as to form.

23 01:38:49 The document speaks for itself.

24 01:38:52 THE WITNESS: It looks like he's a

25 01:38:54 long-term holder.

1 01:38:57 BY MR. SYLVESTER:
2 01:38:57 Q. Right.
3 01:38:57 But my question was whether or not, when
4 01:39:00 you read this email, you believed that he had
5 01:39:04 purchased XRP as part of an institutional purpose?
6 01:39:07 A. No.
7 01:39:08 MR. FLUMENBAUM: Objection as to form.
8 01:39:08 THE WITNESS: Yeah, no.
9 01:39:09 BY MR. SYLVESTER:
10 01:39:17 Q. So he -- Mr. [REDACTED] writes -- now I'm on
11 01:39:21 page -050, the bottom of the second paragraph, three
12 01:39:30 lines up, he starts:
13 01:39:31 "No volume on **bitstamp**, and
14 01:39:34 almost all the volume from RCL is
15 01:39:37 gone."
16 01:39:38 Do you see that?
17 01:39:38 A. I do.
18 01:39:40 Q. RCL is a reference to Ripple Ledger?
19 01:39:44 A. It was referred to as the Ripple Consensus
20 01:39:45 Ledger some time ago.
21 01:39:47 Q. When you read this email, did you take
22 01:39:48 "RCL" to mean the Ripple Consensus Ledger?
23 01:39:53 A. I did.
24 01:39:54 Q. Okay. So you write back to Mr. [REDACTED]
25 01:39:57 starting on page -049.

1 01:40:01 Do you see that?

2 01:40:02 A. Yes.

3 01:40:07 Q. And it's a little hard to tell with the

4 01:40:09 spacing, but about two-thirds of the way down, you

5 01:40:12 write:

6 01:40:13 "I understand your concerns

7 01:40:14 about the current state of volume

8 01:40:17 flows."

9 01:40:17 Do you see that?

10 01:40:18 A. Yes.

11 01:40:19 Q. Okay. Is that a reference to the current

12 01:40:22 state of volume flows of XRP?

13 01:40:27 A. It could be. It could be the general

14 01:40:30 cryptocurrency markets at the time.

15 01:40:31 Q. But Mr. [REDACTED] is writing you about the

16 01:40:33 volume of XRP; is that right?

17 01:40:35 MR. FLUMENBAUM: Objection as to form.

18 01:40:35 He answered your question. It's not --

19 01:40:40 MR. SYLVESTER: I'm asking the next one.

20 01:40:43 MR. FLUMENBAUM: Well, you're arguing with

21 01:40:44 him.

22 01:40:44 MR. SYLVESTER: I'm just asking the next

23 01:40:45 question, if you let me ask the question.

24 01:40:48 MR. FLUMENBAUM: And you skipped a lot of

25 01:40:49 sentences.

1 01:40:50 MR. SYLVESTER: Yeah. I'm not reading the
2 01:40:51 entire email. I'm asking him questions about the
3 01:40:54 email.
4 01:40:54 It's a deposition.
5 01:40:55 MR. FLUMENBAUM: You're assuming some
6 01:40:57 facts that there's no foundation for --
7 01:40:57 MR. SYLVESTER: I'm asking -- I would be
8 01:40:58 asking him a question if you would allow me to speak
9 01:41:01 and ask him a question.
10 01:41:03 MR. FLUMENBAUM: Oh, stop. No one has
11 01:41:05 stopped you from speaking, please.
12 01:41:06 BY MR. SYLVESTER:
13 01:41:07 Q. All right. Mr. Larsen, did Mr. ██████████
14 01:41:11 write you with concerns about the volume of XRP
15 01:41:14 trading?
16 01:41:15 MR. FLUMENBAUM: Objection as to form.
17 01:41:18 The document speaks for itself.
18 01:41:19 BY MR. SYLVESTER:
19 01:41:19 Q. I'm asking Mr. Larsen the question.
20 01:41:22 A. Well, I'm not sure that's how I took what
21 01:41:25 his concerns are.
22 01:41:28 Q. Okay. When Mr. ██████████ wrote, "no volume
23 01:41:32 on ██████████ and almost all the volume from RCL is
24 01:41:35 gone," did you understand that he was referring to
25 01:41:39 the volume in XRP?

1 01:41:42 MR. FLUMENBAUM: Objection as to form.
2 01:41:45 THE WITNESS: Well, he was writing about
3 01:41:47 XRP, I assume. But since volume in XRP is heavily
4 01:41:52 or mostly correlated with the volume of the overall
5 01:41:56 cryptocurrency markets, those are probably one in
6 01:41:59 the same thing.

7 01:42:08 BY MR. SYLVESTER:

8 01:42:08 Q. Okay. Flipping back to page 049 to your
9 01:42:12 email.

10 01:42:13 A. Uh-huh, yes.

11 01:42:14 Q. Right underneath where you say, "I
12 01:42:16 understand your concerns around the current state of
13 01:42:18 volume flows," you write:

14 01:42:19 "Frankly, the entire industry
15 01:42:21 is really in the earliest stages of
16 01:42:23 development. Most volume in the
17 01:42:24 space is speculation in advance of
18 01:42:26 enterprise and eventually consumer
19 01:42:28 flows."

20 01:42:29 Do you see that?

21 01:42:30 A. I do.

22 01:42:32 Q. What does "most volume in the space is
23 01:42:35 speculation" mean?

24 01:42:37 MR. FLUMENBAUM: Objection.

25 01:42:37 Again, you're taking the words out of

1 01:42:40 context, which is, you know, just totally
2 01:42:42 inappropriate.
3 01:42:44 But answer the question, if you can.
4 01:42:46 THE WITNESS: Well, I think most
5 01:42:48 cryptocurrency analysts would have assumed that at
6 01:42:53 this stage, but, again, I think it's important to
7 01:42:56 distinguish between what I would consider bad
8 01:42:58 speculation, day trading, the type of stuff that
9 01:43:01 Elon Musk says about Dogecoin, and all that
10 01:43:06 nonsense, and the speculation that is, I guess, best
11 01:43:10 defined by a belief that a certain technology is
12 01:43:12 going to have a major future position in the global
13 01:43:17 economy, which I think is very much played out when
14 01:43:19 it comes to cryptocurrencies.

15 01:43:21 BY MR. SYLVESTER:

16 01:43:21 Q. Do you believe that certain purchasers of
17 01:43:25 XRP purchased XRP because of their belief that XRP
18 01:43:29 was going to be successful?

19 01:43:33 MR. FLUMENBAUM: Objection as to form.

20 01:43:33 We've been through this now at least five
21 01:43:36 times --

22 01:43:37 MR. SYLVESTER: Enough, Mark, enough.

23 01:43:39 MR. FLUMENBAUM: -- five times, same
24 01:43:41 question, five times.

25 01:43:42 MR. SYLVESTER: That's just not true.

1 01:43:43 MR. FLUMENBAUM: All morning.

2 01:43:45 THE WITNESS: So I believe that people are

3 01:43:54 thinking that the overall cryptocurrency industry is

4 01:43:58 going to be a -- well, going back, will be a major

5 01:44:04 part of the future of global finance.

6 01:44:06 That, I think, actually is playing out as

7 01:44:09 we sit here. I think that is how I would define

8 01:44:17 what most analysts say when they say speculating

9 01:44:20 about where the industry is going.

10 01:44:23 BY MR. SYLVESTER:

11 01:44:23 Q. Has Ripple taken steps in furtherance of

12 01:44:27 XRP being a major part of the future of global

13 01:44:30 finance?

14 01:44:33 MR. FLUMENBAUM: Objection as to form.

15 01:44:33 THE WITNESS: I'm sorry, your question is

16 01:44:34 what, again, please?

17 01:44:37 BY MR. SYLVESTER:

18 01:44:37 Q. Sure.

19 01:44:37 Has Ripple taken steps in furtherance of

20 01:44:39 XRP becoming a part of the future of global finance?

21 01:44:50 MR. FLUMENBAUM: Objection as to form.

22 01:44:51 THE WITNESS: Ripple wants to be part of

23 01:44:53 what we consider to be an internet of value. We

24 01:44:56 think what is happening here is exactly the same

25 01:44:58 thing that happened with the internet of data, which

1 01:45:02 now dominates global communications. We think being
2 01:45:06 part of an internet of value is going to be the
3 01:45:10 future of the way value moves around the world.

4 01:45:14 BY MR. SYLVESTER:

5 01:45:14 Q. And does XRP have a role to play in that?

6 01:45:20 MR. FLUMENBAUM: Objection as to form.

7 01:45:21 THE WITNESS: I believe, yes, very much,
8 01:45:22 because XRP, again, just like Bitcoin or Ethereum,
9 01:45:27 is a currency. It's a medium of exchange. It's
10 01:45:33 store of value. It's a unit of account. It's
11 01:45:36 durable. It's fungible. It's divisible. But it's
12 01:45:39 far superior as a currency to Bitcoin or Ethereum.
13 01:45:44 It's substantially faster. It's
14 01:45:48 substantially lower cost. It has much higher
15 01:45:51 throughput. It provides -- it produces a small
16 01:45:56 fraction of the energy consumption and is carbon
17 01:46:02 neutral, whereas Bitcoin, as you guys know, it
18 01:46:05 produces 80 -- roughly megatons of CO2 per year,
19 01:46:10 using 100 trillion-watt hours of power. That's a
20 01:46:14 far superior currency for the future of an internet
21 01:46:17 of value.

22 01:46:18 BY MR. SYLVESTER:

23 01:46:18 Q. Has Ripple taken steps to position XRP to
24 01:46:24 be a part of that internet of value, as you put it?
25 01:46:29 MR. FLUMENBAUM: Objection as to form.

1 01:46:31 THE WITNESS: It already is. XRP already
2 01:46:33 is. It's a global ecosystem. Trades on hundreds of
3 01:46:39 exchanges all around the world. There's developers
4 01:46:41 all over the world building on it.
5 01:46:43 And we also believe that Ripple can build
6 01:46:51 products that will be very valuable to enterprise
7 01:46:55 customers so that cross-border payments can be more
8 01:46:58 efficient. It's one -- one of the use cases that we
9 01:47:03 think is important.

10 01:47:11 BY MR. SYLVESTER:

11 01:47:11 Q. Did Ripple take steps to position XRP to
12 01:47:14 be in the position you just described?

13 01:47:16 MR. FLUMENBAUM: Objection as to form.

14 01:47:19 Asked and answered.

15 01:47:20 You can answer again.

16 01:47:22 THE WITNESS: Ripple has taken steps to
17 01:47:24 build successful products that utilize those
18 01:47:26 technologies.

19 01:47:38 MR. FLUMENBAUM: Would this be a good time
20 01:47:40 for a break? It's ten of two.

21 01:47:42 MR. SYLVESTER: I want to ask one followup
22 01:47:44 on Mr. Larsen's answer.

23 01:47:45 MR. FLUMENBAUM: Sure.

24 01:47:46 BY MR. SYLVESTER:

25 01:47:46 Q. Which is, how much does it cost Ripple to

1 01:47:49 take those steps to build successful products that
2 01:47:52 utilize those technologies?

3 01:47:55 MR. FLUMENBAUM: Objection as to form.

4 01:47:56 THE WITNESS: As I -- as I mentioned

5 01:47:57 before, it depends on what product or product

6 01:48:00 component you're talking about. So -- and maybe you

7 01:48:03 can be more specific.

8 01:48:06 BY MR. SYLVESTER:

9 01:48:06 Q. Let me ask it this way: If I looked at

10 01:48:08 the R&D line item on Ripple's financial statements,

11 01:48:11 does that roughly approximate how much Ripple is

12 01:48:15 spending on developing the products you described?

13 01:48:19 MR. FLUMENBAUM: Objection as to form.

14 01:48:21 THE WITNESS: To be honest with you, I'm

15 01:48:23 not sure we have an R&D line, so ...

16 01:48:30 MR. SYLVESTER: Okay. This is a good time

17 01:48:32 to take a break.

18 01:48:33 MR. FLUMENBAUM: All right. It's ten to

19 01:48:34 two. You want to take 40 minutes?

20 01:48:35 MR. SYLVESTER: We're off the record.

21 01:48:38 THE VIDEOGRAPHER: Off the record at

22 01:48:39 1:48 p.m.

23 (Whereupon, a lunch recess was taken.)

24

25

1 September 14, 2021 2:34 P.M.

2 AFTERNOON SESSION

3 02:34:54 THE VIDEOGRAPHER: This is the start of

4 02:34:55 File Number 4. We're back on the record at

5 02:34:59 2:34 p.m.

6 02:35:00 BY MR. SYLVESTER:

7 02:35:01 Q. Mr. Larsen, are you aware that Mr. McCaleb

8 02:35:04 and Jessie Powell sought legal advice from Perkins

9 02:35:06 Coie in early 2012?

10 02:35:09 A. Yes.

11 02:35:10 Q. Are you aware that they obtained a

12 02:35:13 memorandum from Perkins Coie?

13 02:35:16 A. Yes.

14 02:35:17 Q. Okay. And are you aware that that

15 02:35:19 memorandum was about the application of the

16 02:35:21 securities laws to sales of XRP?

17 02:35:24 MR. FLUMENBAUM: Objection as to form.

18 02:35:27 THE WITNESS: That's not an accurate

19 02:35:28 statement. The memo was about a lot of things.

20 02:35:33 BY MR. SYLVESTER:

21 02:35:33 Q. Okay. Was one of the topics of the memo

22 02:35:35 the application of the securities laws to sales of

23 02:35:38 XRP?

24 02:35:41 MR. FLUMENBAUM: Objection as to form.

25 02:35:41 THE WITNESS: Yes.

1 02:35:42 BY MR. SYLVESTER:

2 02:35:42 Q. Okay. Did you ever receive that memo?

3 02:35:46 A. Not at the time it was produced.

4 02:35:48 Q. Okay. You did at some point receive the

5 02:35:51 memo?

6 02:35:52 A. I reviewed the memo.

7 02:35:53 Q. Okay. About when was that?

8 02:35:57 A. That would have been in the first half of

9 02:35:59 2012.

10 02:36:03 Q. Did you read the entire memo?

11 02:36:04 A. I did.

12 02:36:06 Q. Did you discuss the memo with any

13 02:36:08 attorneys around that time.

14 02:36:12 MR. FLUMENBAUM: Just -- you can answer

15 02:36:14 either yes or no.

16 02:36:17 THE WITNESS: Yes.

17 02:36:17 BY MR. SYLVESTER:

18 02:36:18 Q. Which attorneys?

19 02:36:23 THE WITNESS: Is it okay to say?

20 02:36:25 MR. FLUMENBAUM: You can mention a name.

21 02:36:27 THE WITNESS: Perkins Coie.

22 02:36:29 BY MR. SYLVESTER:

23 02:36:29 Q. Did you discuss the memo with any others

24 02:36:31 at Ripple outside the presence of attorneys?

25 02:36:36 A. Ripple the company you're talking about?

1 02:36:38 Q. Yes.

2 02:36:38 A. Ripple the company didn't exist at that

3 02:36:40 time.

4 02:36:40 Q. Fair enough. Did you discuss the contents

5 02:36:43 of the memo with Mr. McCaleb or Mr. Powell?

6 02:36:46 A. Yes.

7 02:36:48 Q. Okay. And did you discuss the potential

8 02:36:51 application of the securities laws as set forth in

9 02:36:53 the memo with Mr. McCaleb or Mr. Powell?

10 02:37:01 MR. FLUMENBAUM: Objection as to form.

11 02:37:02 You can answer that either yes or no?

12 02:37:04 THE WITNESS: Yes.

13 02:37:12 THE REPORTER: Is your mike on?

14 02:37:14 MR. FLUMENBAUM: No, not at all. Excuse

15 02:37:16 me.

16 02:37:17 BY MR. SYLVESTER:

17 02:37:22 Q. And what was it that you discussed with

18 02:37:25 Mr. McCaleb or Mr. Powell with respect to the

19 02:37:28 application of securities laws to sales of XRP?

20 02:37:30 MR. FLUMENBAUM: Objection. Instruction

21 02:37:31 not to answer to the extent that it's based on

22 02:37:34 communications that you had with counsel as well.

23 02:37:37 THE WITNESS: There's no way for me to

24 02:37:38 separate those discussions with discussion with

25 02:37:40 counsel.

1 02:37:41 BY MR. SYLVESTER:

2 02:37:41 Q. Let's limit it just to the memos, which I

3 02:37:44 understand privilege has been waived.

4 02:37:49 MR. FLUMENBAUM: Objection. I don't

5 02:37:50 believe that's accurate.

6 02:37:52 MR. SYLVESTER: Is it not?

7 02:37:52 MR. CERESNEY: To be clear, privilege as

8 02:37:54 to the memos themselves, they're -- we're not

9 02:37:58 asserting privilege as to the memos --

10 02:37:58 (Reporter clarification.)

11 02:37:58 MR. CERESNEY: -- asserting privilege as

12 02:38:03 to the memos themselves because they were shared

13 02:38:06 with third parties. However, any additional advice

14 02:38:11 surrounding those memos, so anything outside of

15 02:38:14 those memos, as you know, we've asserted privilege

16 02:38:17 and the court has the same power assertion of

17 02:38:20 privilege.

18 02:38:25 So unless you want to take out a copy of

19 02:38:28 the memo and ask him about a line in the memo, we're

20 02:38:31 going to object to the questions.

21 02:38:32 MR. SYLVESTER: Okay. Well, be that as it

22 02:38:34 may, see if you need to object to this one.

23 02:38:38 BY MR. SYLVESTER:

24 02:38:38 Q. Did you discuss the contents of the early

25 02:38:43 2012 Perkins Coie memo with Mr. McCaleb or

1 02:38:48 Mr. Powell?

2 02:38:49 MR. FLUMENBAUM: Objection. Again,

3 02:38:50 instruction not to discuss any -- anything that you

4 02:38:54 may have said to Mr. Powell or Mr. McCaleb based on

5 02:38:58 any communications that you had with counsel.

6 02:39:00 THE WITNESS: I think it's impossible for

7 02:39:01 me to separate those discussions and discussions

8 02:39:05 with counsel.

9 02:39:08 BY MR. SYLVESTER:

10 02:39:08 Q. Okay. You ultimately obtained a second

11 02:39:26 memo from Perkins Coie; is that correct?

12 02:39:28 MR. FLUMENBAUM: Objection as to the form

13 02:39:29 of that question.

14 02:39:31 THE WITNESS: Yes.

15 02:39:32 BY MR. SYLVESTER:

16 02:39:32 Q. And that memo was addressed to you as

17 02:39:34 well; is that right?

18 02:39:37 A. I believe that's correct.

19 02:39:39 Q. Okay. So you sought the legal advice

20 02:39:45 contained in the second Perkins Coie memo; is that

21 02:39:47 right?

22 02:39:49 MR. FLUMENBAUM: Objection as to form.

23 02:39:49 If you can answer that question, please

24 02:39:52 do.

25 02:39:52 THE WITNESS: We -- we sought that memo.

1 02:39:57 BY MR. SYLVESTER:

2 02:39:57 Q. Who's the "we" in that sentence?

3 02:40:00 A. Jed and I.

4 02:40:03 Q. Okay. And why did you determine to obtain

5 02:40:08 a second memo from Perkins Coie in 2012?

6 02:40:12 MR. FLUMENBAUM: Objection. Again, as to

7 02:40:16 form. And instruction not to answer to the extent

8 02:40:24 that your decision was based on communications that

9 02:40:27 you may have had with counsel.

10 02:40:31 THE WITNESS: I wanted to make sure that

11 02:40:33 that was a complete memo and it wasn't a -- that Jed

12 02:40:41 and Jessie economized, didn't pay enough to get a

13 02:40:47 proper memo. So I wanted to make sure it was

14 02:40:49 validated that was a complete memo.

15 02:40:52 BY MR. SYLVESTER:

16 02:40:52 Q. Did you have a concern that Mr. McCaleb or

17 02:40:56 Mr. Powell had economized with respect to the first

18 02:41:00 Perkins Coie memo?

19 02:41:01 MR. FLUMENBAUM: Objection as to form.

20 02:41:02 Again, instruction not to answer anything that's

21 02:41:06 based on communications with counsel.

22 02:41:08 THE WITNESS: Jed is known to be sort of a

23 02:41:11 cheapskate. I wanted to make sure he wasn't being

24 02:41:15 cheap on legal advice. Getting the memo, again,

25 02:41:19 ensured that.

1 02:41:19 BY MR. SYLVESTER:

2 02:41:19 Q. And the second Perkins Coie memo, that was

3 02:41:23 in the second half of 2012; is that right?

4 02:41:26 A. That's right.

5 02:41:26 Q. Prior to Perkins Coie providing the second

6 02:41:29 memo in the second half of 2012, had you provided

7 02:41:35 Perkins Coie with a revised business plan for

8 02:41:37 Ripple?

9 02:41:39 MR. FLUMENBAUM: Objection as to form.

10 02:41:43 THE WITNESS: Not that I can recall, but

11 02:41:45 that is in -- stated in the memo.

12 02:41:50 BY MR. SYLVESTER:

13 02:41:50 Q. Did you understand in 2012 that if

14 02:41:52 Ripple's business plan changed, that could affect

15 02:41:54 the securities law analysis?

16 02:41:57 MR. FLUMENBAUM: Objection as to form.

17 02:41:58 THE WITNESS: Yes.

18 02:41:58 BY MR. SYLVESTER:

19 02:41:58 Q. When you -- strike that.

20 02:42:05 You received the late 2012 Perkins Coie

21 02:42:08 memo; is that right?

22 02:42:09 A. I did.

23 02:42:09 Q. Okay. Did you read it?

24 02:42:11 A. I did.

25 02:42:11 Q. Did you read the entire thing?

1 02:42:13 A. Yes.

2 02:42:13 Q. Okay. Did you discuss it with counsel

3 02:42:16 around the time that you received it?

4 02:42:19 MR. FLUMENBAUM: Again, you can answer

5 02:42:20 that either yes or no.

6 02:42:22 THE WITNESS: Yes.

7 02:42:24 BY MR. SYLVESTER:

8 02:42:24 Q. Okay. Which counsel?

9 02:42:25 A. Perkins Coie.

10 02:42:29 Q. Did you discuss the October 2012 memo with

11 02:42:33 anyone else outside the presence of counsel?

12 02:42:38 A. Again, it's impossible for me to

13 02:42:40 distinguish between general discussions and

14 02:42:43 discussions with counsel.

15 02:42:44 Q. Okay. Just so we have a clear record,

16 02:42:49 were there occasions in which you discussed the

17 02:42:51 contents of the October 2012 memo with others

18 02:42:54 outside the presence of counsel?

19 02:42:57 MR. FLUMENBAUM: Objection as to form.

20 02:43:02 THE WITNESS: Not that I can recall.

21 02:43:05 BY MR. SYLVESTER:

22 02:43:05 Q. Okay. You provided some information to

23 02:43:11 Perkins Coie for the purposes of providing advice in

24 02:43:12 the memo?

25 02:43:15 MR. FLUMENBAUM: Again, objection as to

1 02:43:16 form. It would really help if you ask the questions
2 02:43:19 in a question form.
3 02:43:20 BY MR. SYLVESTER:
4 02:43:21 Q. Do you understand what I'm asking,
5 02:43:22 Mr. Larsen?
6 02:43:22 MR. SYLVESTER: I just want to know if
7 02:43:25 Mr. Larsen understands me. If he does, let's move
8 02:43:27 forward.
9 02:43:28 THE WITNESS: Can you ask it again,
10 02:43:29 please.
11 02:43:30 MR. SYLVESTER: Can you read it back, Kat,
12 02:43:31 please.
13 02:43:31 (Record read by the reporter
14 02:43:31 as follows:
15 02:43:45 "QUESTION: You provided some
16 02:43:45 information to Perkins Coie for
17 02:43:45 the purposes of providing advice
18 02:43:45 in the memo?"
19 02:43:47 THE WITNESS: I can't recall.
20 02:43:50 BY MR. SYLVESTER:
21 02:43:50 Q. Do you know whether anyone at Ripple
22 02:43:53 provided information to Perkins Coie for the
23 02:43:54 purposes of providing advice in the October 2012
24 02:43:57 memo?
25 02:43:58 MR. FLUMENBAUM: Objection as to form.

1 02:44:02 THE WITNESS: I can't recall.

2 02:44:05 BY MR. SYLVESTER:

3 02:44:05 Q. The October 2012 memo from Perkins Coie

4 02:44:16 contained some facts about Ripple; is that right?

5 02:44:19 MR. FLUMENBAUM: Objection as to form.

6 02:44:24 THE WITNESS: Contained facts about the

7 02:44:25 company which I think was called Opencoin still at

8 02:44:30 that point.

9 02:44:31 BY MR. SYLVESTER:

10 02:44:31 Q. Where did Perkins Coie get those facts?

11 02:44:34 MR. FLUMENBAUM: Objection as to form.

12 02:44:34 THE WITNESS: I don't recall.

13 02:44:35 BY MR. SYLVESTER:

14 02:44:35 Q. Did Perkins Coie recommend that Ripple

15 02:44:51 obtain or seek to obtain a no action letter from the

16 02:44:55 SEC?

17 02:44:57 MR. FLUMENBAUM: Objection. Document

18 02:44:57 speaks for itself.

19 02:44:59 You may answer. Again, based solely on

20 02:45:02 what your recollection is of the document, no other

21 02:45:07 conversations?

22 02:45:10 THE WITNESS: Sorry, can you rephrase --

23 02:45:12 repeat the question, please.

24 02:45:14 BY MR. SYLVESTER:

25 02:45:20 Q. Did Perkins Coie recommend that Ripple

1 02:45:21 obtain or seek to obtain a no action letter from the
2 02:45:25 SEC?

3 02:45:25 MR. FLUMENBAUM: I'm going -- I'm actually
4 02:45:27 going to instruct him not to answer that question
5 02:45:29 based on privilege.

6 02:45:33 THE WITNESS: Follow the advice of
7 02:45:34 counsel.

8 02:45:44 BY MR. SYLVESTER:

9 02:45:44 Q. Did the Perkins Coie memo advise Ripple to
10 02:45:49 seek to obtain a no action letter from the SEC?

11 02:45:53 MR. FLUMENBAUM: Objection to form.

12 02:45:54 Document speaks for itself.

13 02:45:55 You may answer, if you can.

14 02:46:00 THE WITNESS: I believe it stated that
15 02:46:02 that was an option that we could choose to do.

16 02:46:07 BY MR. SYLVESTER:

17 02:46:07 Q. Did Ripple ever try to obtain a no action
18 02:46:10 letter from the SEC?

19 02:46:11 MR. FLUMENBAUM: Objection as to --
20 02:46:12 objection as to form.

21 02:46:13 You may answer.

22 02:46:14 THE WITNESS: No.

23 02:46:15 BY MR. SYLVESTER:

24 02:46:15 Q. Why not?

25 02:46:16 MR. FLUMENBAUM: Objection to the extent

1 02:46:17 that it is based on advice of counsel.
2 02:46:21 THE WITNESS: That was based -- I can't
3 02:46:25 distinguish other knowledge from advice from
4 02:46:28 counsel.
5 02:46:28 BY MR. SYLVESTER:
6 02:46:28 Q. When did you receive the advice that you
7 02:46:41 just referenced?
8 02:46:42 MR. FLUMENBAUM: Objection. Objection.
9 02:46:52 MR. SYLVESTER: On what grounds?
10 02:46:53 MR. FLUMENBAUM: You're trying to get
11 02:46:54 information as to conversations that took place
12 02:46:59 outside of the memo.
13 02:47:00 MR. SYLVESTER: Right. I'm trying to put
14 02:47:01 a privilege log on the record. When he had a
15 02:47:03 discussion with counsel is not privileged.
16 02:47:05 MR. FLUMENBAUM: Well, you're asking when
17 02:47:06 he had discussions with counsel about a particular
18 02:47:09 subject matter, so you're --
19 02:47:10 MR. SYLVESTER: Yes. That's what a
20 02:47:11 privilege log is.
21 02:47:15 MR. FLUMENBAUM: You're asking
22 02:47:16 specifically about a no action letter that was never
23 02:47:18 requested, correct?
24 02:47:20 MR. SYLVESTER: Correct.
25 02:47:21 MR. FLUMENBAUM: Okay. So I don't

1 02:47:22 understand what -- what is going to be on a
2 02:47:25 privilege log.

3 02:47:26 MR. SYLVESTER: Discussing a no action

4 02:47:27 letter.

5 02:47:29 MR. FLUMENBAUM: There's no privilege log

6 02:47:30 that has a discussion of a no action letter on it.

7 02:47:36 I don't know what you're referring to.

8 02:47:37 MR. SYLVESTER: I'm not referring to

9 02:47:38 physical privilege log. I'm saying when Mr. Larsen

10 02:47:40 had any conversations with counsel is not

11 02:47:42 privileged.

12 02:47:47 MR. FLUMENBAUM: Do you recall --

13 02:47:48 You could ask him if he recalls all

14 02:47:51 conversations with counsel after the receipt of the

15 02:47:54 memo, or when those occurred.

16 02:48:02 BY MR. SYLVESTER:

17 02:48:03 Q. Do you remember discussing with counsel

18 02:48:04 the topic of seeking a no action letter after

19 02:48:07 receipt of the memo?

20 02:48:13 MR. FLUMENBAUM: Mr. Ceresney?

21 02:48:15 MR. CERESNEY: The question -- is the

22 02:48:17 question whether he sought advice from counsel after

23 02:48:19 receiving the memo about whether to seek a no action

24 02:48:22 letter? Is that the question?

25 02:48:24 MR. SYLVESTER: Yes.

1 02:48:24 MR. CERESNEY: I think that's -- that's --
2 02:48:26 you can answer yes or no.
3 02:48:27 THE WITNESS: Yes.
4 02:48:27 BY MR. SYLVESTER:
5 02:48:28 Q. Okay. Which counsel?
6 02:48:30 A. Perkins Coie.
7 02:48:31 Q. When did you seek that advice?
8 02:48:33 A. I don't recall.
9 02:48:34 Q. Okay. Was it in the fall 2012 time frame?
10 02:48:40 MR. FLUMENBAUM: Objection as to form. He
11 02:48:40 said he can't recall.
12 02:48:42 THE WITNESS: I can't recall.
13 02:48:47 BY MR. SYLVESTER:
14 02:48:47 Q. Did you have any conversations with
15 02:48:50 anyone, other -- any lawyers other than Perkins Coie
16 02:48:53 about the possibility of seeking a no action letter
17 02:48:56 from the SEC?
18 02:48:59 MR. FLUMENBAUM: Mr. Ceresney?
19 02:49:00 MR. CERESNEY: He can answer yes or no.
20 02:49:02 MR. FLUMENBAUM: Okay.
21 02:49:02 THE WITNESS: Not that I can recall.
22 02:49:10 BY MR. SYLVESTER:
23 02:49:10 Q. Were your conversations with Perkins Coie
24 02:49:12 on the topic of a no action letter as late as 2018?
25 02:49:22 MR. FLUMENBAUM: Objection to the form of

1 02:49:23 that question. Do you want to rephrase it?

2 02:49:26 MR. SYLVESTER: I'm trying to cabin a time

3 02:49:27 frame. He didn't recall whether it was fall of

4 02:49:30 2012, which is fair. I want to know, is it as late

5 02:49:33 at 2018, is it as late as 2020. We can go one year

6 02:49:37 at a time.

7 02:49:38 MR. FLUMENBAUM: You want to ask, did the

8 02:49:39 conversation with Perkins Coie take place in 2018.

9 02:49:42 That would be a question that you could -- that

10 02:49:43 would --

11 02:49:43 MR. SYLVESTER: He can answer my first

12 02:49:44 question, but fine.

13 02:49:45 BY MR. SYLVESTER:

14 02:49:45 Q. Did the conversation with Perkins Coie

15 02:49:47 regarding seeking a no action letter with the SEC

16 02:49:50 take place in 2018?

17 02:49:54 MR. FLUMENBAUM: Mr. Ceresney?

18 02:49:55 MR. CERESNEY: You can answer yes or no --

19 02:49:56 THE WITNESS: No.

20 02:49:57 MR. CERESNEY: -- or you don't recall.

21 02:49:59 THE WITNESS: Not that I can recall.

22 02:50:01 BY MR. SYLVESTER:

23 02:50:01 Q. Okay. Did the conversation with

24 02:50:02 Perkins Coie about seeking a no action letter from

25 02:50:04 the SEC take place in 2013?

1 02:50:08 MR. FLUMENBAUM: Mr. Ceresney?

2 02:50:09 MR. CERESNEY: You can answer yes, no, you

3 02:50:11 don't recall.

4 02:50:12 THE WITNESS: Not that I can recall.

5 02:50:13 BY MR. SYLVESTER:

6 02:50:13 Q. Did the conversation with Perkins Coie

7 02:50:15 about seeking a no action letter from the SEC take

8 02:50:19 place at some point during the time you were CEO?

9 02:50:22 A. Yes.

10 02:50:23 Q. Okay. From reading the October 2012

11 02:50:36 Perkins Coie memo, did you understand that what

12 02:50:39 Ripple said publicly about XRP was a factor in the

13 02:50:45 securities law analysis?

14 02:50:47 MR. FLUMENBAUM: I'm going to object to

15 02:50:48 you asking him questions about his understanding of

16 02:50:51 the memo, unless you put the memo in front of him

17 02:50:55 and ask him specific questions with respect to

18 02:50:57 specific language.

19 02:50:59 MR. SYLVESTER: Marty, in all honesty, the

20 02:51:01 last document I put in front of Mr. Larsen, it took

21 02:51:04 30 minutes to ask a question. So I'm just asking

22 02:51:05 about his recollection sitting here today. It's my

23 02:51:06 deposition and that's what I'm going to do.

24 02:51:08 MR. FLUMENBAUM: Well --

25 02:51:08 MR. SYLVESTER: He can tell me he doesn't

1 02:51:10 recall if he doesn't recall.

2 02:51:13 MR. FLUMENBAUM: The only thing that's not

3 02:51:16 privilege is the memo itself. So ask --

4 02:51:18 MR. SYLVESTER: That's the question I

5 02:51:19 asked.

6 02:51:22 MR. FLUMENBAUM: All right. Let's make

7 02:51:23 sure that it's not a privileged communication. Want

8 02:51:29 to repeat the question.

9 02:51:30 MR. SYLVESTER: Sure.

10 02:51:31 THE WITNESS: Repeat the question.

11 02:51:31 BY MR. SYLVESTER:

12 02:51:31 Q. From reading the October 2012 Perkins Coie

13 02:51:33 memo, did you understand that what Ripple said

14 02:51:35 publicly about XRP was a factor in the securities

15 02:51:38 law analysis?

16 02:51:43 MR. FLUMENBAUM: Objection as to form.

17 02:51:44 THE WITNESS: Yes.

18 02:51:45 BY MR. SYLVESTER:

19 02:51:49 Q. After reading the Perkins Coie memo, what

20 02:51:52 steps, if any, did you take to conform Ripple's

21 02:51:56 marketing efforts to the advice of the October 2012

22 02:52:00 Perkins Coie memo?

23 02:52:04 MR. FLUMENBAUM: Objection as to form.

24 02:52:05 MR. CERESNEY: You can answer it. You can

25 02:52:06 answer the question. It's not seeking -- just to be

1 02:52:09 clear, obviously any legal advice you got you should
2 02:52:12 not reveal. If the question can be answered without
3 02:52:16 revealing or drawing upon advice you got from
4 02:52:20 counsel, you can answer the question.

5 02:52:23 THE WITNESS: We were comfortable with our
6 02:52:25 plans, our go-forward plans in terms of how the
7 02:52:29 company marketed itself. We made changes based on
8 02:52:33 the memo on other elements.

9 02:52:36 BY MR. SYLVESTER:

10 02:52:36 Q. What changes did you make based on the
11 02:52:38 memo?

12 02:52:42 A. So Jed had raised [REDACTED] for the
13 02:52:49 project. It was his plan to pay that in any
14 02:52:56 currency that was developed. The memo made it clear
15 02:52:59 that we shouldn't do that and we didn't do that.

16 02:53:17 Q. Did you take any steps with respect to
17 02:53:19 the -- with respect to Ripple's public statements
18 02:53:22 about XRP as a result of what you read in the
19 02:53:24 October 2012 Perkins Coie memo?

20 02:53:27 MR. FLUMENBAUM: Objection as form. And
21 02:53:29 again, if you -- only if you recall.

22 02:53:34 MR. CERESNEY: I think the other thing I'm
23 02:53:35 going to say is to the extent that Mr. Larsen can
24 02:53:38 recall what was in the memo, sitting here today.

25 02:53:41 That's another question. I don't know whether

1 02:53:43 Mr. Larsen, you know, has in his mind what was in
2 02:53:46 the memo. So basically if he can answer it, great.
3 02:53:49 But --
4 02:53:50 THE WITNESS: Can you point to what you're
5 02:53:51 talking about?
6 02:53:52 BY MR. SYLVESTER:
7 02:53:52 Q. Let me ask you a question.
8 02:53:54 From reading the October 2012 memo, did
9 02:53:57 you have an understanding that if Ripple promoted
10 02:54:00 XRP as an investment, that would have an impact on
11 02:54:02 the securities law analysis?
12 02:54:04 A. Yes.
13 02:54:05 Q. Okay. Did you take any steps to conform
14 02:54:11 Ripple's marketing efforts to that understanding?
15 02:54:15 MR. FLUMENBAUM: Objection as to -- as to
16 02:54:18 form. You're asking, you know, from -- the memo is
17 02:54:25 dated October 2012. Life changes after
18 02:54:28 October 2012. Your question makes no sense by
19 02:54:32 itself.
20 02:54:34 BY MR. SYLVESTER:
21 02:54:35 Q. Do you understand my question?
22 02:54:36 A. Can you ask the question again, please?
23 02:54:40 Q. Sure.
24 02:54:47 MR. SYLVESTER: I lost it. Kat, will you
25 02:54:49 read it back, please.

1 02:54:51 (Record read by the reporter
2 02:54:51 as follows:
3 01:50:03 "QUESTION: From reading the
4 02:53:55 October 2012 memo, did you have an
5 02:53:58 understanding that if Ripple
6 02:53:59 promoted XRP as an investment,
7 02:54:01 that would have an impact on the
8 02:54:03 securities law analysis?
9 02:54:04 "ANSWER: Yes.
10 02:54:05 "QUESTION: Okay. Did you
11 02:54:06 take any steps to conform Ripple's
12 02:54:11 marketing efforts to that
13 02:54:14 understanding?"
14 02:55:19 MR. FLUMENBAUM: Again, objections. And,
15 02:55:20 again, no date in the question.
16 02:55:24 THE WITNESS: Yes. We conformed to the
17 02:55:28 advice given in that memo.
18 02:55:30 BY MR. SYLVESTER:
19 02:55:30 Q. In the October 2012 time frame, what steps
20 02:55:33 did you take to conform to that piece of advice in
21 02:55:36 the October 2012 memo?
22 02:55:39 A. Just what I said, that we were consistent
23 02:55:42 with that advice given.
24 02:55:44 Q. Did you make any changes on the basis of
25 02:55:46 that piece of advice in the October 2012 memo?

1 02:55:50 MR. FLUMENBAUM: Objection as to form.
2 02:55:52 Again, untethered in time in terms of the question.
3 02:55:56 And, again, I object to you asking him about a memo
4 02:55:59 without putting the memo in front of him.
5 02:56:02 THE WITNESS: I can't recall if any of
6 02:56:04 Jed's initial plans were in keeping with that.
7 02:56:08 Certainly the plans that we went forward with were
8 02:56:13 in -- conforming to that advice.
9 02:56:16 BY MR. SYLVESTER:
10 02:56:16 Q. Did you ever provide the Perkins Coie memo
11 02:56:18 to anybody in Ripple's marketing department?
12 02:56:24 MR. FLUMENBAUM: Objection as to form.
13 02:56:24 THE WITNESS: I can't recall.
14 02:56:25 BY MR. SYLVESTER:
15 02:56:25 Q. Was it important to you that Ripple follow
16 02:56:32 the advice in the Perkins Coie memo with respect to
17 02:56:36 statements about XRP?
18 02:56:38 MR. FLUMENBAUM: Objection as to form.
19 02:56:42 Again, when?
20 02:56:45 MR. SYLVESTER: Was it important to him?
21 02:56:46 Was there a time that it was and a time that it
22 02:56:49 wasn't? Let him answer the question, Marty.
23 02:56:52 MR. FLUMENBAUM: Your question is vague.
24 02:56:53 BY MR. SYLVESTER:
25 02:56:54 Q. Do you understand the question?

1 02:56:55 A. Well, it would be helpful if you were more
2 02:56:58 specific in statements. What do you mean by
3 02:57:02 "statements"?
4 02:57:03 Q. Okay. Fair enough. I meant Ripple's
5 02:57:13 public statements. Let me rephrase.
6 02:57:15 Was it important to you that Ripple
7 02:57:16 followed the advice in the Perkins Coie memo with
8 02:57:18 respect to Ripple's public statements about XRP?
9 02:57:23 MR. FLUMENBAUM: Objection, 'cause again
10 02:57:24 you're not defining what the memo said with respect
11 02:57:26 to public statements. And you're relying on his
12 02:57:30 memory relating to a memo nine years and you're
13 02:57:33 expecting a meeting of the minds. And I'm objecting
14 02:57:37 as to form.
15 02:57:38 MR. SYLVESTER: This is truly the longest
16 02:57:40 speaking objection. Just say "objection form." You
17 02:57:42 know the rules, Marty. This is really frustrating.
18 02:57:44 MR. FLUMENBAUM: I'm trying to get you to
19 02:57:45 ask a more specific question, Mark.
20 02:57:48 MR. SYLVESTER: Mr. Larson just told me
21 02:57:48 what he was confused about and I rephrased.
22 02:57:52 MR. FLUMENBAUM: All right. I'm just
23 02:57:52 going to make objections as to form. But I want to
24 02:57:54 have a continuing objection to -- because there's no
25 02:57:57 meeting of the minds in connection with your

1 02:57:59 question and his answer.

2 02:58:01 MR. SYLVESTER: You can't -- no. You

3 02:58:03 can't have that continuing objection Mr. Larsen

4 02:58:05 doesn't understand each and every question that I

5 02:58:07 ask.

6 02:58:07 MR. FLUMENBAUM: I'm going to object as to

7 02:58:09 form. The basis for the form is that you're not

8 02:58:11 showing him the statements that you're referring to,

9 02:58:15 you know, in the memo which form the basis of your

10 02:58:18 question generalized the way you're articulating it.

11 02:58:23 So, you know, we don't know what

12 02:58:25 statements you're talking about, we don't know what

13 02:58:27 the memo says, and --

14 02:58:29 MR. SYLVESTER: Mr. Larsen has told me

15 02:58:31 what the memo says. He has a recollection, sitting

16 02:58:32 here today. I asked him the question and he

17 02:58:35 answered it. We're wasting time.

18 02:58:37 Kat, can you read back the last --

19 02:58:41 MR. FLUMENBAUM: Objection as to form.

20 02:58:41 MR. SYLVESTER: Great. Kat, can you read

21 02:58:43 back the last question, please.

22 02:58:44 (Record read by the reporter

23 02:58:44 as follows:

24 02:59:00 "QUESTION: Was it important

25 02:59:00 to you that Ripple followed the

1 02:59:00 advice in the Perkins Coie memo
2 02:59:00 with respect to Ripple's public
3 02:59:00 statements about XRP?")
4 02:59:02 THE WITNESS: Yes.
5 02:59:06 BY MR. SYLVESTER:
6 02:59:06 Q. When you were CEO, did you view it your
7 02:59:13 responsibility to make sure that Ripple followed the
8 02:59:16 advice given in the Perkins Coie memo with respect
9 02:59:18 to Ripple's public statements about XRP?
10 02:59:21 MR. FLUMENBAUM: Objection as to form.
11 02:59:25 THE WITNESS: Yes. As CEO and also
12 02:59:26 important for the leadership group of the company to
13 02:59:29 follow.
14 02:59:30 BY MR. SYLVESTER:
15 02:59:30 Q. Who's within that leadership group?
16 02:59:36 A. Leadership group changes over time, but it
17 02:59:39 would be essentially my direct reports.
18 02:59:50 Q. Did you take any steps to monitor whether
19 02:59:53 or not Ripple's public statements were in conformity
20 02:59:57 with Perkins Coie's advice from the time of the memo
21 03:00:02 throughout the time you were CEO?
22 03:00:06 MR. FLUMENBAUM: Objection as to form.
23 03:00:07 THE WITNESS: I'm sorry, is the
24 03:00:08 question -- the first part, did I take steps or --
25 / /

1 03:00:11 BY MR. SYLVESTER:

2 03:00:12 Q. Exactly.

3 03:00:13 A. Yes. Hiring, most importantly, the right

4 03:00:16 team that understands the important of compliance.

5 03:00:22 Q. Is it fair to say you delegated the

6 03:00:23 monitoring of Ripple's public statements to folks on

7 03:00:27 your team?

8 03:00:28 MR. FLUMENBAUM: Objection as to form.

9 03:00:31 THE WITNESS: In the same way that any CEO

10 03:00:33 delegates certain responsibilities to certain team

11 03:00:36 members.

12 03:00:36 BY MR. SYLVESTER:

13 03:00:36 Q. Who on your team was in charge of

14 03:00:39 monitoring Ripple's public statements for conformity

15 03:00:42 with Perkins Coie's advice?

16 03:00:45 MR. FLUMENBAUM: Objection as to form.

17 03:00:46 We're now going way beyond -- now you're assuming

18 03:00:49 that the people --

19 03:00:50 MR. SYLVESTER: I thought we agreed no

20 03:00:51 speaking objections.

21 03:00:52 MR. FLUMENBAUM: But --

22 03:00:53 MR. SYLVESTER: I hear your form

23 03:00:55 objection.

24 03:00:55 BY MR. SYLVESTER:

25 03:00:55 Q. Mr. Larsen --

1 03:00:55 MR. FLUMENBAUM: Go ahead. Objection as
2 03:00:55 to form.

3 03:00:55 BY MR. SYLVESTER:

4 03:00:55 Q. -- if you don't understand the question,
5 03:00:56 please tell me.

6 03:00:57 MR. SYLVESTER: He has, thank you.

7 03:00:59 THE WITNESS: Among others, that would be

8 03:01:00 your compliance team.

9 03:01:02 BY MR. SYLVESTER:

10 03:01:03 Q. Okay. Which others?

11 03:01:09 A. Well, legal. Across the company. But

12 03:01:14 it's your compliance folks that help the -- all the

13 03:01:18 team members understand those issues.

14 03:01:20 Q. Okay. Now moving forward to the time

15 03:01:22 where you're no longer CEO, you're chairman of the

16 03:01:25 board, did you take any steps at that point in time

17 03:01:28 to ensure that Ripple's public statements conformed

18 03:01:31 with Perkins Coie's advice?

19 03:01:33 MR. FLUMENBAUM: Objection as to form. No

20 03:01:37 foundation for that question.

21 03:01:40 BY MR. SYLVESTER:

22 03:01:40 Q. Go ahead.

23 03:01:41 A. My role as chairman is making sure those

24 03:01:48 compliance matters in -- consistently with what the

25 03:01:52 board's responsibilities are. The bulk of that, of

1 03:01:55 course, is the job of the management and leadership
2 03:01:59 team.

3 03:02:05 Q. For clarity, who is within the management
4 03:02:06 and leadership team you just referenced?

5 03:02:09 MR. FLUMENBAUM: Objection as to form.

6 03:02:11 You may answer.

7 03:02:11 THE WITNESS: That's the role of the CEO
8 03:02:13 and the CEO's leadership team. There's only one CEO
9 03:02:17 in a company. We've always been very careful that
10 03:02:22 people didn't view the chairman as sort of a second
11 03:02:25 CEO. There's one CEO. They're the ones who are
12 03:02:29 leading, building the team and ensuring all the
13 03:02:34 proper requirements for the company are executed.

14 03:02:50 BY MR. SYLVESTER:

15 03:02:50 Q. Did you understand, from your review of
16 03:02:51 the October 2012 Perkins Coie memo, that the
17 03:02:54 motivations of purchasers of XRP were relevant in
18 03:02:57 determining the securities law analysis?

19 03:03:00 MR. FLUMENBAUM: Objection as to form.

20 03:03:02 What -- when was it relevant? What time
21 03:03:04 period are you talking about?

22 03:03:09 MR. SYLVESTER: I'm asking -- I'm asking
23 03:03:12 whether he understood a fact, which -- after having
24 03:03:15 read it.

25 / /

1 03:03:17 BY MR. SYLVESTER:

2 03:03:17 Q. So after having read the memo, did you

3 03:03:20 understand that -- from reading the memo, that the

4 03:03:24 motivations of purchasers of XRP were relevant in

5 03:03:27 determining the securities law analysis?

6 03:03:30 MR. FLUMENBAUM: Objection as to form.

7 03:03:33 THE WITNESS: What I understood is there

8 03:03:34 were certain recommendations that were made to

9 03:03:39 address the risk and we followed those

10 03:03:43 recommendations.

11 03:03:44 BY MR. SYLVESTER:

12 03:03:44 Q. What recommendations to address the risk

13 03:03:46 did Ripple follow?

14 03:03:50 MR. FLUMENBAUM: Objections as to form.

15 03:03:51 THE WITNESS: Are you talking specifically

16 03:03:52 about 2012?

17 03:03:54 BY MR. SYLVESTER:

18 03:03:54 Q. I'm talking about specifically from the

19 03:03:55 October 2012 Perkins Coie memo.

20 03:03:57 A. Well --

21 03:04:00 MR. CERESNEY: Mark, you're now going to

22 03:04:01 get into recommendations in the memo. I think it's

23 03:04:03 really unfair to question him about the whole

24 03:04:06 recommendation memo without putting it in front of

25 03:04:06 him.

1 03:04:08 MR. SYLVESTER: I'm just asking based on
2 03:04:09 his memory. You sat here for 30 minutes as well as
3 03:04:11 I did.
4 03:04:12 MR. CERESNEY: Listen, you show him a
5 03:04:14 document, he gets to read it.
6 03:04:16 MR. SYLVESTER: No. I understand. I
7 03:04:16 didn't complain.
8 03:04:18 MR. CERESNEY: It's not for us to say --
9 03:04:18 MR. SYLVESTER: I didn't complain. But if
10 03:04:19 he has a memory sitting here today I'm entitled to
11 03:04:21 ask him.
12 03:04:22 MR. CERESNEY: Okay. Ask him.
13 03:04:23 MR. FLUMENBAUM: You gave him a 40-page
14 03:04:25 memo --
15 03:04:25 MR. SYLVESTER: Okay. All right. Enough,
16 03:04:26 Marty.
17 03:04:27 MR. FLUMENBAUM: -- before. There's no
18 03:04:27 basis for you to object to that nor did you during
19 03:04:31 the reading.
20 03:04:32 MR. SYLVESTER: That is what I -- just
21 03:04:34 came out of my mouth.
22 03:04:36 Kat, can you read back the question,
23 03:04:37 please.
24 03:04:38 (Record read by the reporter
25 03:04:38 as follows:

1 03:05:07 "QUESTION: What
2 03:05:07 recommendations to address the
3 03:05:07 risk did Ripple follow?")
4 03:05:07 THE REPORTER: There were some objections
5 03:05:07 and you asked the question --
6 03:05:07 (Record read by the reporter
7 03:05:07 as follows:
8 03:05:07 "THE WITNESS: Are you
9 03:03:51 talking specifically about 2012?
10 03:03:54 "QUESTION: I'm talking about
11 03:03:54 specifically from the October 2012
12 03:03:56 Perkins Coie memo.")
13 03:05:09 MR. FLUMENBAUM: Again, objections.
14 03:05:11 THE WITNESS: Qualifying question is, are
15 03:05:12 you talking -- I understand you're talking about the
16 03:05:14 memo in 2012, but are you talking about in the
17 03:05:19 period 2012, which is important?
18 03:05:22 BY MR. SYLVESTER:
19 03:05:23 Q. You testified that you followed the memo's
20 03:05:24 recommendations. I just want to know which
21 03:05:27 recommendations that were -- that you followed.
22 03:05:30 Uncabined by time frame.
23 03:05:34 MR. FLUMENBAUM: Objection as to form.
24 03:05:36 THE WITNESS: Well, yeah. I think the
25 03:05:37 time frame is important because the market evolves

1 03:05:39 over time as you have key -- the key regulator being
2 03:05:43 announced in 2013, for example, which is FinCEN and
3 03:05:48 treasury, when they came out with their
4 03:05:51 cryptocurrency guidance. That was an important
5 03:05:54 change in the market.

6 03:05:55 But yes, we did follow those key
7 03:06:00 recommendations to address that risk.

8 03:06:04 BY MR. SYLVESTER:

9 03:06:04 Q. Let me ask a different question.

10 03:06:06 Were there any steps that Ripple took to
11 03:06:08 determine the motivations of purchasers of XRP?

12 03:06:11 MR. FLUMENBAUM: Objection as to form.

13 03:06:13 Asked and answered.

14 03:06:15 THE WITNESS: And can you be more
15 03:06:18 specific? Are you talking about at the point where
16 03:06:21 the company was selling XRP?

17 03:06:24 BY MR. SYLVESTER:

18 03:06:25 Q. Yes.

19 03:06:26 A. Okay. Because it didn't sell, of course,
20 03:06:28 in 2012.

21 03:06:31 So by the time the company was selling,
22 03:06:33 you did have the FinCEN treasury guidance on
23 03:06:40 cryptocurrencies released, which made it very clear
24 03:06:42 that this industry was regulated by treasury and
25 03:06:45 that the key issues, as we always thought, were the

1 03:06:49 money transmission laws and making sure that we were
2 03:06:51 not issuers of prepaid access, making sure that we
3 03:06:54 were following the AML guidelines, the KYC
4 03:07:00 guidelines. Those rules were all about making sure
5 03:07:02 that we were preventing illegal activity in the
6 03:07:06 purchase of these currencies, and that's what we
7 03:07:10 did.

8 03:07:12 Q. Mr. Larsen, throughout your tenure as CEO,
9 03:07:14 Ripple's revenues **overwhelmingly have been driven by**
10 03:07:19 **XRP sales;** is that right?

11 03:07:21 MR. FLUMENBAUM: Objection as form.

12 03:07:24 THE WITNESS: Uh-huh. The proceeds that
13 03:07:26 have come into the company have been -- **amount from**
14 03:07:34 **XRP sales.**

15 03:07:36 BY MR. SYLVESTER:

16 03:07:36 Q. Okay. In light of that reality, weren't
17 03:07:43 you curious why purchasers were purchasing XRP?

18 03:07:47 MR. FLUMENBAUM: Objection as to form.

19 03:07:49 THE WITNESS: Again, the key regulator of
20 03:07:50 this industry, treasury, FinCEN, their guidance had
21 03:07:54 to do with AML, money transmission, and yes, we were
22 03:08:00 very focused on what the purpose was. It could not
23 03:08:02 be for illegal purposes because that would violate
24 03:08:05 AML, KYC laws which are the laws that address
25 03:08:10 currencies.

1 03:08:13 BY MR. SYLVESTER:

2 03:08:13 Q. When Ripple started selling XRP in 2013,

3 03:08:18 did it desire ever to sell more XRP?

4 03:08:23 MR. FLUMENBAUM: Objection as to form.

5 03:08:25 THE WITNESS: It has always been the

6 03:08:27 objective to sell and give away in the early days --

7 03:08:32 again give away has become spam. Once a market

8 03:08:39 has -- currency market has value, that's going to

9 03:08:42 happen. Selling then became really the only

10 03:08:48 reliable way of distributing the currency.

11 03:08:55 BY MR. SYLVESTER:

12 03:08:55 Q. When you were CEO, did Ripple monitor

13 03:08:58 social media comments about XRP?

14 03:09:01 MR. FLUMENBAUM: Objection as to form.

15 03:09:05 THE WITNESS: What time period?

16 03:09:06 BY MR. SYLVESTER:

17 03:09:06 Q. While you were CEO.

18 03:09:11 A. To a greater extent, as the company became

19 03:09:13 bigger, certainly, and we could afford a bigger

20 03:09:17 staff to monitor social media.

21 03:09:23 Q. During the time you were CEO, did Ripple

22 03:09:25 monitor XRP chat or other kinds of XRP community

23 03:09:28 forums?

24 03:09:29 MR. FLUMENBAUM: Objection as to form.

25 03:09:33 THE WITNESS: We certainly had people that

1 03:09:34 would keep an eye out on all kinds of things
2 03:09:38 happening in the market so that we had sufficient
3 03:09:42 knowledge of what was happening in these markets.

4 03:09:45 BY MR. SYLVESTER:

5 03:09:45 Q. And during the time you were CEO, did

6 03:09:49 Ripple monitor press articles about XRP?

7 03:09:51 MR. FLUMENBAUM: Objection as to form.

8 03:09:51 THE WITNESS: We tried to do our best with

9 03:09:54 the staff that we had to monitor all aspects of this

10 03:09:58 industry.

11 03:10:00 BY MR. SYLVESTER:

12 03:10:00 Q. Through the monitoring efforts that we

13 03:10:02 just described, did Ripple ever learn anything about

14 03:10:12 whether individuals were purchasing XRP for

15 03:10:14 speculative purposes?

16 03:10:17 MR. FLUMENBAUM: Objection as to form.

17 03:10:17 THE WITNESS: I think, as I mentioned

18 03:10:22 before, and I think most experts in the

19 03:10:23 cryptocurrency markets, and analysts, that the early

20 03:10:31 days speculation on where these technologies might

21 03:10:35 go was a big use case in these markets, generally.

22 03:10:49 BY MR. SYLVESTER:

23 03:10:49 Q. Is that true -- you said "the early days."

24 03:10:51 Is that true, what you just said, throughout the

25 03:10:53 time you were CEO?

1 03:10:55 MR. FLUMENBAUM: Objection as to form.
2 03:10:56 THE WITNESS: I think that's an evolving
3 03:10:59 situation. As more and more developers across the
4 03:11:02 cryptocurrency industry are building additional
5 03:11:05 applications.
6 03:11:06 BY MR. SYLVESTER:
7 03:11:06 Q. What percentage of XRP sales in 2013 do
8 03:11:10 you think was speculation?
9 03:11:14 MR. FLUMENBAUM: Objection as to form.
10 03:11:15 THE WITNESS: Again, what type of
11 03:11:16 speculation are you referring to?
12 03:11:18 BY MR. SYLVESTER:
13 03:11:18 Q. Anyone who is purchasing XRP with the hope
14 03:11:20 that the price will rise?
15 03:11:23 MR. FLUMENBAUM: Objection as to form.
16 03:11:24 THE WITNESS: I can ask a clarifying
17 03:11:25 question. Are you including store value in that
18 03:11:28 definition?
19 03:11:37 MR. FLUMENBAUM: I think Mr. Sylvester
20 03:11:38 needs Mr. Tenreiro's help on that.
21 03:11:41 MR. TENREIRO: Stop.
22 03:11:45 MR. SYLVESTER: I don't mind consulting
23 03:11:46 Mr. Tenreiro.
24 03:11:52 BY MR. SYLVESTER:
25 03:11:53 Q. Yeah, I guess I'm not sure, Mr. Larsen,

1 03:11:54 what you mean by "store value." So let's just say
2 03:12:00 it's 2013, Ripple is selling XRP, correct?
3 03:12:06 A. Okay. It's 2013.
4 03:12:07 Q. Okay. And Ripple sold XRP in 2013?
5 03:12:10 A. Yes.
6 03:12:10 Q. Do you have a sense, sitting here today,
7 03:12:12 of what percentage of XRP was purchased by
8 03:12:16 individuals or entities who purchased it because
9 03:12:19 they hoped that the price of XRP would rise?
10 03:12:24 MR. FLUMENBAUM: Objection as to form.
11 03:12:24 This has been asked and answered many times at this
12 03:12:27 point.
13 03:12:28 THE WITNESS: Again, though it's a very
14 03:12:29 important question around store value. The
15 03:12:37 definition of store value is holding one currency --
16 03:12:39 so we believe in holding one currency, is going to
17 03:12:44 hold value better vis-a-vis some other currency or
18 03:12:50 asset, is the definition of it. There are only
19 03:12:56 things of value in the world. And so you're always
20 03:12:59 going to have one thing of value vis-a-vis some
21 03:13:02 other thing of value. That's the definition of
22 03:13:04 stored value.
23 03:13:06 And the only reason somebody would engage
24 03:13:08 in store value is because they believe that one
25 03:13:12 thing will hold value better vis-a-vis some other

1 03:13:17 thing.

2 03:13:19 BY MR. SYLVESTER:

3 03:13:19 Q. Okay.

4 03:13:20 A. If I can add to that.

5 03:13:21 Q. Please.

6 03:13:22 A. It's a really important distinction, I

7 03:13:24 believe, in the cryptocurrency ecosystem. It's

8 03:13:28 pretty much why Bitcoin was created. And those were

9 03:13:32 the first people involved in the industry when XRP

10 03:13:37 was available. It's largely those same individuals

11 03:13:42 that were engaged in the XRP market. So my

12 03:13:47 assumption is that that was store value across the

13 03:13:52 board.

14 03:13:52 Q. Okay. In 2013, what percentages of --

15 03:13:59 what percentage of purchasers of XRP purchased XRP

16 03:14:02 because they believed that XRP would have a more

17 03:14:06 attractive store value in the future as compared to

18 03:14:10 other assets?

19 03:14:11 MR. FLUMENBAUM: Objection as to form.

20 03:14:14 THE WITNESS: So if you're -- sounds like

21 03:14:17 you are defining store value. I believe store value

22 03:14:21 was a major use case for cryptocurrencies,

23 03:14:26 particularly in the early years when Bitcoin was

24 03:14:31 first introduced.

25 / /

1 03:14:33 BY MR. SYLVESTER:

2 03:14:33 Q. Did you understand generally that if

3 03:14:42 Ripple did not follow the advice of counsel in

4 03:14:46 October 2012, that there might be a greater risk the

5 03:14:50 sales of XRP would be classified as securities?

6 03:14:52 MR. FLUMENBAUM: Objection as to form.

7 03:14:58 THE WITNESS: I mean, clearly following

8 03:15:01 proper compliance reduces risk in any endeavor.

9 03:15:14 BY MR. SYLVESTER:

10 03:15:14 Q. In general, is it important to

11 03:15:16 you -- strike that.

12 03:15:17 In general, when you were CEO, was it

13 03:15:19 important to you that Ripple complied with the law?

14 03:15:22 MR. FLUMENBAUM: Objection as to form.

15 03:15:23 THE WITNESS: Absolutely.

16 03:15:23 BY MR. SYLVESTER:

17 03:15:23 Q. And as chairman of the board, has it been

18 03:15:26 important to you that Ripple complies with the law?

19 03:15:28 MR. FLUMENBAUM: Objection as to form.

20 03:15:29 THE WITNESS: Absolutely.

21 03:15:37 BY MR. SYLVESTER:

22 03:15:37 Q. Did you view Ripple following the memo's

23 03:15:41 advice as equivalent to following the law?

24 03:15:46 MR. FLUMENBAUM: Object. Objection. And

25 03:15:49 you're -- if you want to show him some specifics in

1 03:15:53 that memo, show him the specifics in the memo.
2 03:15:56 These broad questions are ridiculous.
3 03:16:05 BY MR. SYLVESTER:
4 03:16:05 Q. You can answer.
5 03:16:09 A. It's the financial regulators that
6 03:16:12 determine compliance. That's the most important
7 03:16:14 thing.
8 03:16:21 Q. Outside of the October 2012 time frame,
9 03:16:27 did you ever review any part of the Perkins Coie
10 03:16:29 memo after that date?
11 03:16:32 MR. FLUMENBAUM: Objection, again, as to
12 03:16:35 form.
13 03:16:38 If you understand the question, please
14 03:16:39 answer?
15 03:16:40 THE WITNESS: Is your question did I
16 03:16:41 reread the memo later?
17 03:16:43 BY MR. SYLVESTER:
18 03:16:43 Q. Exactly.
19 03:16:47 MR. FLUMENBAUM: Take out of your answer
20 03:16:48 anything relating to this proceeding and in the
21 03:16:52 context of your deposition preparation.
22 03:16:57 THE WITNESS: Marty, I'm sorry, can you
23 03:16:58 repeat that? You were talking to me?
24 03:17:01 MR. FLUMENBAUM: Yeah.
25 03:17:02 MR. SYLVESTER: Yeah.

1 03:17:05 MR. FLUMENBAUM: The question that was
2 03:17:07 asked is excluding, and I'm telling to you
3 03:17:09 exclude -- he's asking whether you reread the
4 03:17:12 October 12th memo, but I'm instructing you not to
5 03:17:16 answer with respect to any time periods relating to
6 03:17:21 this investigation or lawsuit.
7 03:17:28 THE WITNESS: Okay. Thank you.
8 03:17:31 I don't recall specifically, but I will
9 03:17:33 say, though, that compliance in new technology
10 03:17:37 markets is very dynamic and maybe none more so than
11 03:17:41 in the cryptocurrency markets. When you had FinCEN
12 03:17:45 and treasury come out with their -- the first
13 03:17:48 guidance that they were going to be the key
14 03:17:50 regulator for the industry, that changes a lot of
15 03:17:54 things.
16 03:17:54 When you had Bitcoin no longer being able
17 03:17:57 to be mined by individuals, which meant it was much
18 03:18:03 more centralized than it started out to be, and
19 03:18:08 regulators seemed comfortable with that factor, that
20 03:18:12 changes things dramatically. There's many, many
21 03:18:15 other instances over the years that changed that
22 03:18:23 compliance needs and requirements and the way you
23 03:18:27 would think about being compliant in these markets.
24 03:18:30 And not just in the U.S. but globally.
25 03:18:36 MR. SYLVESTER: Let's take a look at

1 03:18:37 Exhibit 9, please.

2 03:18:38 (Whereupon, Deposition Exhibit CL-9

3 03:18:38 was marked for identification.)

4 03:19:04 THE WITNESS: I see. Now I'm going to

5 03:19:05 have to use my glasses.

6 03:19:11 BY MR. SYLVESTER:

7 03:19:12 Q. For the record, Exhibit 9 is three

8 03:19:14 paragraphs of text. This is how it was produced to

9 03:19:17 us. The metadata on the file was dated

10 03:19:20 February 2nd, 2013.

11 03:20:57 A. Okay.

12 03:21:00 Q. Mr. Larsen, did you -- did you write

13 03:21:02 this -- the text in Exhibit 9?

14 03:21:07 A. I don't recall this, but it looks like my

15 03:21:09 writing.

16 03:21:11 Q. Okay. Do you see in the second paragraph,

17 03:21:13 the second to last sentence, it says:

18 03:21:18 "The worst is being considered

19 03:21:20 a security - because securities can

20 03:21:21 be exchanged only by broker

21 03:21:23 dealers, wreaking the utility of a

22 03:21:25 currency."

23 03:21:26 Do you see that?

24 03:21:27 A. Yes.

25 03:21:27 Q. Is that a typo, should "wreaking" be

1 03:21:30 "wrecking"?

2 03:21:31 A. Yes.

3 03:21:32 Q. Okay.

4 03:21:38 MR. SYLVESTER: Okay. Let's take a look

5 03:21:40 at Exhibit 5, please.

6 03:21:42 (Whereupon, Deposition Exhibit CL-5

7 03:21:43 was marked for identification.)

8 03:21:44 THE WITNESS: Sorry, did you have a

9 03:21:45 question on this?

10 03:21:46 BY MR. SYLVESTER:

11 03:21:46 Q. Just those.

12 03:21:48 A. I'm sorry?

13 03:21:48 Q. Just the questions you just answered.

14 03:21:51 A. All right.

15 03:22:09 Q. So Exhibit 5 is one page of notes with a

16 03:22:18 one line continuation to the next page starting with

17 03:22:22 Bates ending 4066. And the metadata on this doc, I

18 03:22:27 can represent, is November 14th, 2012.

19 03:23:23 A. Okay.

20 03:23:23 Q. Mr. Larsen, did you write this document?

21 03:23:25 A. Not that I recall, but it looks like

22 03:23:28 something I might write.

23 03:23:30 Q. Okay.

24 03:23:31 MR. FLUMENBAUM: Don't guess. If you

25 03:23:33 don't recall writing it, then that's the answer, not

1 03:23:36 guessing.

2 03:23:36 THE WITNESS: I don't recall.

3 03:23:37 BY MR. SYLVESTER:

4 03:23:37 Q. Do you know whether or not this was

5 03:23:38 produced from your files?

6 03:23:41 A. I don't recall.

7 03:23:42 Q. Okay. I can represent, because of the

8 03:23:44 Bates stamp, that it was produced by your counsel.

9 03:23:46 A. Okay.

10 03:23:46 Q. But my question is do you know if it was

11 03:23:48 produced from your files?

12 03:23:50 A. Okay.

13 03:23:52 Q. Do you know?

14 03:23:54 MR. FLUMENBAUM: He could have something

15 03:23:55 in his files that he didn't write.

16 03:23:56 MR. SYLVESTER: I know --

17 03:23:57 MR. FLUMENBAUM: You asked him if he wrote

18 03:23:57 it.

19 03:23:57 MR. SYLVESTER: I asked -- I appreciate

20 03:23:59 that, Marty, I just didn't hear his answer.

21 03:24:01 BY MR. SYLVESTER:

22 03:24:01 Q. You may have answered the question,

23 03:24:03 Mr. Larsen, and I just didn't hear you.

24 03:24:05 Was this from your files?

25 03:24:07 A. I don't know.

1 03:24:08 Q. Okay.

2 03:24:09 A. Sure.

3 03:24:11 Q. Second line from the bottom on the first

4 03:24:12 page:

5 03:24:12 "If not currency, then could

6 03:24:14 be security that's impossible

7 03:24:16 because only BD can trade."

8 03:24:18 Do you see that?

9 03:24:19 A. I do.

10 03:24:20 Q. Okay. Do you understand what "BD" means

11 03:24:22 in that sentence?

12 03:24:23 A. Broker dealer, I believe.

13 03:24:25 Q. Okay.

14 03:24:42 MR. SYLVESTER: Let's look at Exhibit 30,

15 03:24:44 please.

16 03:24:51 (Whereupon, Deposition Exhibit CL-30

17 03:24:52 was marked for identification.)

18 03:26:15 THE WITNESS: Okay.

19 03:26:17 BY MR. SYLVESTER:

20 03:26:17 Q. For the record, Exhibit 30 is a thread of

21 03:26:21 emails. The top email is from [REDACTED], sent on

22 03:26:26 January 5th, 2015, to [REDACTED] and Mr. Larsen,

23 03:26:29 and I believe Phil Rapoport; is that right?

24 03:26:32 A. Yes.

25 03:26:32 Q. Okay. Who is [REDACTED]?

1 03:26:37 A. I believe he's the managing director of
2 03:26:40 [REDACTED], which is a private equity fund.
3 03:26:43 Q. Okay. Around this time, was [REDACTED]
4 03:26:46 exploring the possibility of setting up a fund for
5 03:26:49 selling XRP?
6 03:26:50 A. I believe that's correct.
7 03:26:54 Q. And Mr. [REDACTED] recommends, in the first line
8 03:27:00 of the top email, getting a letter from a lawyer
9 03:27:03 saying we do not think XRP is a security; is that
10 03:27:06 right?
11 03:27:07 A. Yes.
12 03:27:09 Q. Okay. Did Ripple ultimately get such a
13 03:27:11 letter?
14 03:27:13 A. I believe we did.
15 03:27:16 Q. Okay. Did you have any involvement in
16 03:27:17 that decision?
17 03:27:19 A. Not that I can recall.
18 03:27:21 Q. Okay. Looking at the bottom email on the
19 03:27:35 first page, or really second from bottom, from [REDACTED]
20 03:27:38 [REDACTED], he says:
21 03:27:39 "Thanks so much. Do you know
22 03:27:40 if SEC has decided not to
23 03:27:42 regular -- regular XRP or Bitcon
24 03:27:45 and now treasury regulates/will XRP
25 03:27:49 be ever considered a security which